R. Adamson

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1, Blake, Wm. - On the Exchanges.

2, Mushet, R. - On Currency & the Bank Restriction Bill, 3rd Ed. 1811

3, Lauderdale, Earl - Depreciation of the Paper Currency Proved: 1812

4, Bosanquet, Ch. - Practical Observations on the Bullion Report. 1810

5, Wilson, Ro. - Observations on Depreciation & Currency. 1811

6 Trotter, Coutts Principles of Currency and Exchanges & Bullion Rept. 1810

7 Sinclair, Sir John. Observations on the Bullion Report, 1810

8 " " Remarks on Huskisson 1810

Rich

ADVERTISEMENT.

THE first intention in writing the following pages, was to animadvert on some opinions relating to the principles of political economy, which had met with a very general circulation, through the medium of several well-written pamphlets on the depreciation of the currency.

It became irksome, however, and seemed but an invidious task, to select from works that possessed generally a very high degree of merit, a few particular passages, merely to dwell upon their errors; and the author therefore determined to arrange his own thoughts upon the subject, in an order that might admit of his incidentally commenting upon such opinions of other writers, as appeared to be in opposition to his own.

It will perhaps be but too apparent that these remarks upon the principles of exchange have been written and sent to the press, with more haste than is altogether consistent with the respect due to the public; and the author would willingly have delayed the publication till he had an opportunity of revising and correcting the style: but the circumstances of the present moment seem so peculiarly suited to a Treatise of this nature, that he has not been deterred by personal considerations, from communicating his opinions to the public, on a subject which has long occupied his attention.

In the execution of his plan, his endeavour has been, to

hold a middle course between such a conciseness as might be incompatible with perspicuity, and that degree of superfluous illustration which might appear to insult the understanding of his readers.

He is not without hopes that he may escape being classed with those "who, while they imagined that they themselves "had made important discoveries, uniformly found that "no discoveries had been made by their predecessors;" for the author neither pretends to discoveries himself, nor denies that merit to others. If the following observations have any claim upon the public attention, it can arise solely from the attempt to discriminate, more accurately than has hitherto been done, the operation of causes that have been long known, and frequently discussed; but which have not met with so distinct and detailed a consideration as the author deems essential to a due comprehension of the subject.

May 1810.

OBSERVATIONS,

&c. &c. &c.

INTRODUCTION.

THE principles which regulate the exchange will be investigated in the simplest manner, by an arrangement that may lead the mind gradually from the separate consideration of the individual causes by which it is influenced, to the more complicated results that arise from their combined operation.

The effects of the exchange are first practically felt, when the intercourse between foreign nations has rendered it necessary to make a remittance from one country to another.

The usual mode of making a remittance, either for the discharge of debts previously existing, or for the purpose of investing it in foreign produce, is to purchase and transmit, to the person to whom the remittance is to be made, a foreign bill of exchange.

A foreign bill of exchange is an order addressed to some person residing abroad, directing him to pay a determinate quantity of foreign currency to the person in whose favor it is drawn. The quantity, therefore, to be paid, is fixed by the sum specified in the bill; but the amount of British currency to be given here, for the purchase of the bill, is by no means fixed, but is continually varying, from causes which it is the object of this essay to explain.

When the market price of foreign bills is high, the exchange is said to be unfavorable, because a larger sum will be required for discharging a given amount of foreign payments. When the market price is low, the exchange is said to be favorable, because the discharge of the same amount of foreign payments will be effected by a smaller quantity of British currency. Whatever therefore affects the price of a foreign bill, will affect the state of the exchange.

Now the price of bills will depend, in the same manner as that of any other commodity, upon two causes:

First, on their abundance or scarcity in the market, compared with the demand for them; and secondly, on the value of the currency in which they are to be paid, compared with the value of that with which they are bought.

If there be a certain quantity of foreign bills in

the market, and at the same time a great demand for making foreign payments or investments, the holders of bills will soon feel the effect of the competition for their purchase, and will refuse to part with them, except an additional price be given as a premium. If, on the contrary, there be an abundant supply of bills in the market, and not much demand for foreign payment or investment, there will be more persons inclined to dispose of bills, than there are persons desirous of purchasing them; and the holders, who wish to convert them into cash, will not be able to sell, except at a discount; so that this variation in the market price might take place, though the value of the currency of the respective countries continued absolutely unchanged.

Supposing, however, the quantity of bills in the market sufficient exactly to supply the demand, and that there are no more persons wishing to sell than there are persons wanting to purchase them, so that any alteration in their price, from this cause, is precluded; yet as the currency of all countries is subject to continual fluctuations in its value, the quantity of British currency to be given for a determinate quantity of foreign currency, at any period of time, will depend upon the comparative value of each. An English guinea may be worth, sometimes, a certain number of guilders, florins,

or piastres, and at others a very different number, depending either upon alterations in the value of the guinea, or of the guilder, florin, or piastre. The moment that these alterations take place, the information is communicated from one part of the mercantile community to the other, and the price of foreign bills is regulated accordingly.

The rate of the *computed* exchange, then, will vary from two causes, totally distinct from each other. The first, arising from the abundance or scarcity of bills in the market, is the foundation of what may be called the *real* exchange, which depends upon the payments a country has to make, compared with those it has to receive, and has no reference to the state of the currency.

The second, arising from alterations in the value of the currency, is the foundation of what may be called the *nominal* exchange, which has no reference whatever to the state of debt and credit of the country. And as the effects, which the *real* and *nominal* exchange have upon the general dealings and commerce of the country, are as distinct as their causes, the natural mode of investigating the subject will be to follow the order which this division points out; and after tracing the operation of the *real* and *nominal* exchange independently of each other, to consider their combined effect, in treating upon the *computed* exchange.

OF THE REAL EXCHANGE.

In order that the consideration of the *real* Exchange may be kept perfectly distinct from that of the *nominal*, let it be supposed, during the review of this subject, that the Coin of any two countries that have intercourse with each other is in a perfect state, as to purity and weight; and that the proportion which the quantity of currency bears to the commodities to be circulated by it in the respective countries, continues unchanged, so as to exclude any alteration in its value.

In the commercial dealings which take place between any two nations, the surplus produce of the one will be exchanged for the surplus produce of the other. When neither of them imports from the other to a greater amount than it exports to the same country, the debts and credits of each will balance; and there will be no difficulty in making remittances from one to the other, without the actual transfer of Bullion or money: for as the Bills drawn *by* the merchants exporting produce would exactly equal, in amount, the Bills drawn *on* the merchants importing produce, their mutual

debts and credits would be easily liquidated by the transfer of Bills of Exchange; and as the supply of Bills would be equal to the demand for them, they would neither bear a premium, nor be at a discount, and the *real* Exchange would be said to be at par.

At any particular period of time, however, it may happen that a nation may have imported to a greater amount than it has exported, and consequently have more payments to make than to receive. If at that time payment were demanded, the balance due from the debtor country could only be liquidated by the transfer of money or Bullion; and the merchant, rather than incur the expense of the freight insurance and commission attending its conveyance, will be induced to give more for a Bill of Exchange, than the sum for which it is drawn. A competition will be thereby created among the purchasers of Bills upon the creditor country, and they will bear a premium in proportion to the demand. In that country, on the contrary, there will be more persons holding, than there are persons wanting Bills, and the excess above the demand can only be converted into Coin or Bullion by sending them to the place upon which they are drawn. But this Bullion or Coin cannot be conveyed to the creditor, without his paying the expense of its transit; and the holder of a Bill in the creditor country,

if he be desirous of converting it into money, will be content to receive something less than its amount. There will therefore be in the creditor country a competition to sell, and Bills will be at a discount in proportion to the supply. The premium in one country will correspond with the discount in the other.

Whatever, therefore, affects the proportion between the payments to be made, and those to be received, will alter the state of the *real* Exchange.

This proportion varies principally from the following circumstances: first, from the effects of favorable or unfavorable seasons creating a difference in the customary supply of the annual produce of the land: secondly, from the alterations which take place in the amount of the foreign expenditure of a country, arising either from the expenses of foreign establishments and expeditions, subsidies to foreign powers, or remittances to absentee proprietors.

The population of the countries that have commercial intercourse with each other, though it may vary considerably in long periods of time, is not subject to any sudden changes from year to year; the wants, therefore, for annual consumption may be considered as nearly constant; but the supply of those wants depending principally on the annual produce of the land, will vary to a very great extent. If in any particular country there should

be a failure in a commodity which is also the common growth of the neighbouring countries, the deficiency will be supplied, in a greater or less degree, by an increased importation; and where the failure takes place in an article of the first necessity, as for instance, in corn, which forms the principal part of the food of the people, the importation will be augmented nearly in proportion to the extent of the deficiency. The average amount of annual imports will in these cases be exceeded, and the ordinary proportion of payments between the country and foreign nations proportionably affected; and though the effects of the failure of a corn crop, from its magnitude, and its being an article of the first necessity, are most apparent, an alteration similar in kind, but not in degree, will be induced by a failure in the produce of any commodity to the use of which a country has been long habituated. In an article of mere luxury, the deficiency of its produce, by occasioning an increase of its price, may contract the consumption, and thus cause the value of the quantity exported or imported to be in a certain degree uniform; yet it may be easily conceived that a combination of circumstances would, even in commodities of less necessity than corn, lead to an unusual export or import, and therefore materially affect the state of debt and credit of a country.

The second circumstance, which has been stated

as affecting the payments and receipts of a country, is the variation in the amount of its foreign expenditure, under which head may be included, the charge of maintaining its foreign establishments, civil and military, subsidies to foreign powers, and the remittances to absentee proprietors; the last of which it may be sufficient merely to mention, since they must bear so very small a proportion to the sum total of the foreign expenditure of a great nation, that any variations in their amount would scarcely have a perceptible effect upon the general state of its payments and receipts. On the contrary, the subsidies to foreign powers, and the expense of maintaining the civil and military establishments abroad, may vary, in times of war, to an enormous extent.

Now this expenditure may be supplied either by the export of Bullion or Specie; by purchasing foreign Bills in the home market, and sending them to the place where the money is wanted; or by authorising the agents abroad to draw Bills upon the government, and discount them at the place where they are drawn, upon the best terms that the Bill-market will allow.

By the export of Bullion or Specie the expenditure would be at once defrayed, without creating any debt against the country, and therefore without producing any effect upon the *real* Exchange; but there are various reasons why this mode has

not been generally adopted. In the first place, the quantity of Bullion or Specie in a country which has no mines of its own, is exceedingly limited, and the total amount that can be spared or procured for exportation will bear a very small proportion to the foreign expenditure arising from protracted warfare. In the next place, there must always be a certain expense of insurance and freight attending its transport; and whenever, therefore, foreign Bills can be procured at a less premium than the amount of that expense, or Bills on the government abroad can be negociated at a less discount, the vehicle of Bills will necessarily be preferred to that of Specie or Bullion.

The foreign expenditure of this country, as appears by the account presented to the Committee of Secrecy by Mr. Long, in 1797, was principally paid by the draft of Bills from the Continent upon England. A debt is thus created against the country equal to the amount of the Bills drawn upon the government, which must exist, in a greater or less degree, till the whole of those Bills are liquidated by the remittance of value of some kind or other. Whatever, therefore, be the proportion between the payments to be made, and those to be received, at any period of time, arising from the ordinary commercial dealings; whatever be the quantity of Bills in the home or foreign market, which are, in fact, the evidences of that

proportion; the foreign expenditure of government must derange the natural state of the balance, and produce an alteration proportional to its amount *. If the Bills be drawn from abroad, they will increase the quantity of British Bills in the foreign Bill market, and lower their value from their abundance. If the foreign Bills be purchased at home for the purpose of remittance, the competition of government will immediately raise their price, and increase their scarcity. Whether the *real* Exchange, therefore, at the time of the expenditure taking place, be favorable or unfavorable, it will always be the less favorable, or the more unfavorable, in consequence of that expenditure.

We have hitherto been considering the demand for foreign Bills, as originating wholly in the necessity of liquidating balances arising from transactions that had already taken place; but there is another cause of demand, which springs from the desire of entering upon new commercial specula-

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* See the examination of Mr. Huskisson before the Committee for enquiry into the policy and conduct of the Expedition to the Scheldt; where he states the difficulty of making the remittances to Austria without lowering the Exchange, which was already from 18 to 20 per cent. against this country.

See also Mr. Moore's Narrative of the Campaign in Spain, and the difficulty of negociating Bills there, for the supply of the army in that country.

tions, whenever the relative prices in the home and foreign markets are such, as to afford the prospect of an adequate profit. If the current *real* prices abroad are low, compared with those in the home market, there will be an increased demand for foreign Bills, for the purpose of making foreign investments; and the extent of this demand will be in proportion to the probable amount of the profits to be derived, and the unemployed capital that will admit of being diverted into that channel. As soon as a foreign price-current is received, it is compared with the price-currents at home, and the conduct of the merchant is regulated accordingly. If commodities abroad be relatively cheap, there will be more purchasers than usual of foreign Bills; if they be relatively dear, there will be fewer purchasers than usual; and thus whatever be the *real* Exchange under any given balance of payment to be made, and payment to be received, the arrival of a foreign price-current, or an alteration in the home price-current, will have an instantaneous effect upon the foreign Bill market; and the weekly, and sometimes daily, fluctuations in the course of the *real* Exchange, are attributable principally to the variations in this species of demand.

It must not be inferred, however, that because the prices of commodities cause a fluctuation in the course of the *real* Exchange, that therefore the

real Exchange causes a fluctuation in the prices of commodities. The prices of commodities in the home market (upon the supposition to which we constantly adhere, that the value of the currencies throughout the mercantile republic remains unaltered) cannot depend upon the number of foreign Bills in the same market, but upon the abundance or scarcity of the commodities themselves, compared with the real demand for them, that is, the wants of consumers; and it is essential that this peculiar feature of the *real* Exchange should not escape the reader's attention, since it forms one of the leading distinctions between the *real*, and the *nominal* Exchange, and is the cause of the great difference of their effects upon the general exports and imports of the country.

It may, then, be stated generally, that, whenever there is a balance of debt against a country, arising, either from an excess of imports over exports, a large foreign expenditure of government, or the remittance of foreign subsidies; whenever, in short, there is a demand for foreign payment, or foreign investment, the price of foreign Bills will rise, and may bear a premium; and the price of Bills drawn on the country from abroad will fall, and be at a corresponding discount; and, on the contrary, when there is a balance of debt due to a country, and a diminution of demand for foreign payment or foreign investment, the price of Bills

drawn from abroad will increase, and may bear a premium; and the price of foreign Bills will fall in the home market, and may be at a discount.

What effects the *real* Exchange has upon the general exports and imports of the country, it will now be proper to enquire.

The merchant is regulated in the conduct of his business, by a comparison of the prices which commodities bear in the home, and foreign market; his attention is directed to the prices current, accounts of which are constantly published, and immediately communicated by his correspondents abroad. If he finds that the price of any commodity abroad is so much higher than the price of the same commodity in the home market, that its sale abroad will pay the expences of freight and insurance, and at the same time leave him an adequate profit for his trouble, he will immediately purchase and export the commodity in question. As soon as the bill of lading has been received by his correspondent to whom the goods are consigned, he will draw his Bill upon him for the amount; and if the *real* Exchange be at par, will have no difficulty in procuring money equal to the value specified in the Bill, by negotiating it in the market at home. But if the *real* Exchange should not be at par, it is evident that his calculation upon the profit he is likely to derive from the export, must include the premium, or discount,

which he will receive, or pay, in the disposal of his Bill. If the Exchange is unfavorable, or, in other words, if the payments to be made are greater than those to be received, foreign Bills will bear a premium; and consequently, the additional sum which he will receive on the disposal of his Bill, will enable him to export with profit, though the difference of prices of the commodity at home and abroad were such, as would not allow him to export, with the *real* Exchange at par. The more unfavorable the *real* Exchange, the less might be the difference of prices that would induce him to export; so that an unfavorable state of the real Exchange will operate as a bounty upon exportation, to the amount of the premium, which he will receive upon his foreign Bill.

The same calculation upon the state of the *real* Exchange will be necessary, if the difference of prices at home and abroad should lead him to import. But whatever be the state of the *real* Exchange, it will affect the importing merchant, and the exporting merchant, in a directly opposite manner: for the importing merchant must pay for the goods he imports, either by purchasing a foreign Bill to remit to his correspondent abroad, for which, if the *real* Exchange be unfavorable, he must pay a premium; or, if his correspondent abroad is authorised by the importing merchant to draw a Bill upon him for the payment of the goods

consigned, as that Bill cannot be converted into money without a loss, he must draw for such an additional sum above the invoice price of the goods, as will counterbalance the discount to be allowed in negotiating his Bill in the foreign market.--- This additional sum, therefore, paid by the importing merchant in the premium of the foreign Bill, or drawn for by the correspondent to make up the loss on the discount, will be so much deducted from his profit. Unless, then, the difference of prices at home and abroad be such as to admit of this deduction, the merchant must cease to import; so that an unfavorable *real* Exchange will operate as a duty upon importation, in proportion to the premium on a foreign Bill, or the corresponding discount on the Bill drawn from abroad; and in the same manner it is easy to see, that a favorable *real* Exchange will operate as a duty upon exportation, and will afford a bounty upon importation.

An unfavorable *real* Exchange will, therefore, have the effect of forcing the exports of a country; because, during its unfavorable state, the merchant can afford to sell at a lower price to the foreign consumer, and this diminution of price will naturally lead to an increased consumption. It will contract imports, because the importing merchant must sell foreign produce at a higher rate to the home consumer, to draw back the duty imposed

upon him by the unfavorable state of the *real* Exchange, and consequently the high price will diminish the home consumption.

It is evident that during an unfavorable state of the *real* Exchange, the bounty received by the exporting merchant does not depend upon the nature of the commodity he exports. Whatever kind of goods he sends abroad, it gives him the power of drawing upon the person to whom he consigns them, to the amount of their value; and upon this Bill he receives the premium that the market affords. He will of course select those commodities for exportation, which, besides the premium afforded by his Bill, will give him the greatest profit, by the difference of price abroad and at home. Of all the commodities, which are the objects of request among trading nations, there is none perhaps that is subject to so little variation in its *real* price, as Bullion. The annual quantity produced from the mines is very nearly constant,---its distribution, from the facility with which it is transported, is exceedingly uniform,---and its value, and consequently its real price, throughout Europe at least, must be considered as nearly the same. Unless, then, the bounty afforded by the unfavorable state of the *real* Exchange, were greater than the expenses attending the transit of Bullion, it would be of all others the

commodity * least likely to be selected by the exporting merchant: but that same uniformity of value and of price, which would prevent its being exported before the premium on a foreign Bill exceeded the expenses of the transit of Bullion, would be the very cause, why, as soon as the premium had reached that point, it would immediately be chosen as one of the most eligible for exportation.

The export and import of Bullion are generally conducted by a class of the community remarkable for their shrewdness, and the small profits upon which they transact their business; and as soon as the premium on a foreign Bill exceeds, by a very small amount, the expenses of the transit of Bullion, the certainty of the profit compensates in some degree for its smallness, and the opportunity, when it occurs, is seldom neglected. The adverse debt will then begin to be paid, by the Bullion merchants exporting to take advantage of the premium; and the competition will be such, that the *real* exchange will be very rapidly brought down,

* Mr. Thornton, apparently from not being aware of the mode in which the export of ordinary produce was increased by an unfavorable *real* Exchange, seems to imagine that the greater part of the adverse balance must necessarily be paid in Bullion. (pp. 131 to 134.)

so as no longer to afford a profit upon the export of this article. The exporters of consumable produce will during this period co-operate with the Bullion merchants; and when the latter have ceased to derive a profit, the former will still continue their operations, till the unfavorable Exchange is reduced to par, or, in other words, till the exports have been such, as to counterbalance the adverse debt, and render the quantity of foreign Bills in the market equal to the demand.

From this statement it is obvious, that the natural limit to the amount of the *real* Exchange is the expense of the transit of Bullion; and long before it has arrived at that point, the export of ordinary produce will be forced, and its import restrained; so that the *real* Exchange can scarcely begin to deviate from par, without calling into action a principle that will correct its deviation. It may oscillate a little on the one side, or the other, from its point of rest, but can hardly admit of remaining either permanently favorable, or permanently unfavorable, to a nation, in the ordinary course of its transactions *.

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* This observation must be understood to apply to the general balance that subsists between any one nation, and the whole of those with which it has commercial intercourse; it being evi-

It must not be inferred, however, because the expense of the transit of Bullion is the limit of the *real* Exchange, that it is therefore a fixed limit, and capable of being estimated at a certain percentage on the price of a foreign Bill: for when the *real* Exchange has caused a transit of Bullion to any considerable degree, it will at length create a difference in the market price of Bullion itself. This article will become scarce in the country from which it is sent, and abundant in that into which it is flowing. Its price will rise in the former, and fall in the latter. The exporter, therefore, will then have to calculate the difference of prices in the home and foreign market; and if in the first instance the profit were but just sufficient to induce him to export, it is clear that after the change has taken place, the exportation of Bullion, under the same rate of Exchange, will cease.

Mr. Boyd, in his evidence before the Secret Committee of the House of Lords, in 1797, respecting the mode of remitting the Imperial loan to Vienna, states, "that he thought the remit-"tances by Bills of Exchange were not quite "so favorable as those in Bullion; but, if he had

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dent that where a nation trades with more than one country, the *real* Exchange may be constantly favorable with one, provided it be constantly unfavorable with another.

" stuck exclusively to Bullion, the price of this " article would have risen so high here, and " probably sunk so low at Hambro', that in- " stead of a good, it would have become a bad " remittance." The limit therefore of the *real* Exchange can only be fixed at a certain rate, upon the supposition that the price of Bullion is the same in the home and the foreign market; for when the *real* price of Bullion abroad is less than it is at home, the transit of Bullion will not take place, unless the rate of Exchange be sufficiently high, not only to pay the expenses of transit, but also to compensate for the loss attending the difference of home and foreign prices. When, on the contrary, the price of Bullion abroad is higher than in the home market, it is equally evident that Bullion will be exported, when the *real* Exchange is less than the expenses of the transit of Bullion.

And thus it is that a very small part of the payment of an unfavorable balance is effected by the transit of Bullion, since its transit can scarcely begin to take place, without rendering it a more unprofitable article of export than ordinary consumable commodities. For the former cannot, generally speaking, be considered as a commodity the consumption of which will be augmented by a diminished price, its use being confined to the wealthy few, who are not likely to encrease the

quantity of their plate, or indulge themselves more freely in the purchase of ornamental manufactures, from the temporary variations in the market price of Bullion: but it is not so with ordinary produce. The great mass of mankind will always endeavour to purchase their comforts at the lowest possible rate. If by means of an unfavorable Exchange our merchants can supply the nations of the Continent with British manufactures, cheaper than when the Exchange is at par, our manufactures will be bought and consumed; and in proportion to the degree in which the Exchange is unfavorable, in the same proportion, shall we be enabled to enter more easily into a competition with the manufacturers abroad, even in their own market.

A possible case may, nevertheless, be supposed, where the government may, from political causes, be induced to continue a scale of warfare, demanding a larger foreign expenditure than can be supplied by a proportional excess of exports over imports; and, consequently, if the quantity of Bullion in the country were extremely limited, the *real* Exchange might, notwithstanding the usual causes that check and prevent its fluctuations, deviate so much from par, and create so great a drain of Bullion, as to raise its market price above its mint price.

It is certain that the Bullion merchants would in that case, rather than pay the advanced market

price, endeavour to collect the current Coin for the purpose of exportation. A pound of gold at the English mint is coined into forty-four guineas and a half, or 46*l.* 14*s.* 6*d.** By exchanging, then, bank-notes at the Bank, for coin, they can always procure a pound of gold for 46*l.* 14*s.* 6*d.* in notes; and so long as they have this power of purchasing gold at the mint price, at the Bank, they will not give a higher market price elsewhere. If the paper, therefore, be convertible into Coin at the option of the holder, the Bullion merchants will be constantly pouring in their notes upon the Bank, to be exchanged for Coin, which will be exported† as fast as it can be procured; and thus a drain upon the Bank will be

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* Throughout this pamphlet, the Author, in speaking of Bullion, has confined his observations to Gold Bullion only; first, because the Gold Coin is now the only one in which a legal payment can be made for debts above 25*l.* in amount; and, secondly, because he has derived considerable assistance from, and had frequent occasion to refer to, Mr. Mushet's valuable Tables of the Exchange between London and Hambro', since the year 1760, in which the price of Gold Bullion only is noted.

† It is true the laws have affixed most severe penalties to the melting or exporting the current Coin of the realm; but these penalties have always been found insufficient for its protection, the Coin having uniformly disappeared, whenever either of the above practices has been attended with an adequate profit.

established, to a greater or less extent, in proportion to the amount of foreign payment that must be discharged; before the *real* Exchange is sufficiently elevated to prevent any profit upon the export of Bullion. As long as this drain continues, the Bank will be compelled to purchase Bullion, and to coin, for the purpose of supplying the demand occasioned by the return of its notes; and as the purchase must be made at the then market price, it is evident that in whatever degree that shall exceed the mint price, the Bank must sustain a loss proportional to the difference; and that a continuance of the drain, under such circumstances, might eventually lead to its ruin.

It was upon this ground that the Directors of the Bank, in the year 1795, remonstrated in so urgent a manner against any further loans to the Emperor; lest the drains, which those loans occasioned, should prove fatal to that establishment. In a letter from the Directors to Mr. Pitt, dated October 8, 1795, after observing upon the continual drain that the loan to the Emperor had occasioned; they proceed to state, "that the present "price of gold being from 4*l.* 3*s.* to 4*l.* 4*s.* per "ounce, and our guineas being to be purchased "at 3*l.* 17*s.* 10½*d.*, clearly demonstrates the "grounds of our fears, it being only necessary to "state these facts to the Chancellor of the Ex-

"chequer*." Now those very facts ought to have led Mr. Pitt to suspect, that the drain upon the Bank, at that time, arose from some other cause than the loans to the Emperor; for it has been already shewn how impossible it is, that the Bullion merchant should for any length of time continue the export of Bullion, without increasing the quantity abroad, and lowering its price so much, that it would no longer afford a profitable speculation. Mr. Pitt should have recollected, that for the last twenty-one years from 1774, when the reformation in the gold Coin took place, though the *computed* Exchange between Hambro' and London had frequently been so unfavorable to London, as far to exceed the expenses of the transit of Bullion, the quantity required for export had been so easily supplied, either from the spare Bullion, or from the export of the Coin, that the market price of bullion had never exceeded the mint price, except only for about six months, at the time of the peace of Versailles, in the year 1783; and then only by about 3*s*. $2\frac{1}{2}$*d*. in 100*l*., not much more than $\frac{1}{700}$th part. Now as during a great part of that period, the country was engaged in active warfare, which would cause, from the variations in the amount of the foreign expenditure, occasional demands for large foreign pay-

* P. 152, Secret Committee of the House of Lords, 1797.

ments, one would have expected, that such an excessive increase of the market price above the mint price, as was asserted by the Bank Directors to have taken place, amounting to 7*l*. 4*s*. 5½*d*. per cent. being forty-five times greater than any variation that had occurred in the former war, would have led him to receive their remonstrances with considerable suspicion.

If, in addition to this, he had called to mind that the excess of the market price above the mint price, could be accounted for, and might have taken place, though no loan to the Emperor had been in a course of remittance; that the excess of the market price of Bullion over the mint price had existed to a very great extent, attended with a drain upon the Bank, prior to the year 1774; when the gold currency was degraded below its standard weight; that the drain, under such circumstances, would have equally existed, though there had been no demand for the exportation of Bullion, (as will be fully explained, in the Section upon the Nominal Exchange;) it seems unaccountable that he should so easily have yielded to the representations of the Directors; and it is the more to be lamented, since the impressions he then received, seem to have had considerable influence in producing the fatal measure of permanent restriction on Bank payments, which began in the year 1797, only fourteen months after this period.

But assuming it to be the fact, that the foreign expenditure at that period was greater than on any former occasion, and that the real cause of the drain was that assigned by the Bank Directors, still they had the means of prevention within their own power; for it will be shewn, in the next Section, on the *nominal* Exchange, that when the currency of a country consists partly of Paper, and partly of Coin, and that the former bears a large proportion to the latter, the Bank can at all times contract the issue of its notes, and produce a considerable diminution in the total amount of the currency. By this means the *nominal* prices of commodities, and amongst the rest, that of Bullion, will be lowered. As soon, therefore, as a reduction has thus been effected in the price of Bullion below its mint price, the drain upon the Bank will at once be stopped; since it will no longer be the interest of the Bullion merchant to purchase gold at the mint price, by exchanging notes at the Bank, when he can procure it at a cheaper rate in the market. The Bank Directors were so well aware of this mode of counteracting the effects of a drain upon them, that they had recourse to it at the very period of making their remonstrances; and the market price of Bullion, which had been 9*s.* 7*d.* per cent. below its mint price, in the beginning of the year 1795, and which probably might never have been raised, had not the Bank, at this period, ex-

tended its paper from 11 to 13½ millions, was, by the subsequent contraction of it to 9½ millions, again reduced, before the middle of the year 1796, to 9*s.* 7*d.* below the mint price. Unfortunately too for the country, this same counteracting principle was resorted to, when the drain took place in the beginning of the year 1797, arising, not from a demand for bullion for the purpose of exportation, nor from an excess in its market price above the mint price, neither of which existed at the time *; but solely from the alarm occasioned by the fears of invasion;---a drain that will always occur under similar circumstances, and which will be aggravated, rather than relieved, by a contraction of paper.

It should be carefully remembered, that the profit from the export of Bullion in consequence of an unfavorable *real* Exchange, does not arise from Bullion selling for a higher price in the foreign than in the home market, nor from any scarcity of Bullion abroad occasioning an extraordinary demand for it; but solely from the demand for

* In January 1797, the *computed* Exchange between Hambro' and London was 5*l.* 4*s.* per cent. in favour of London, and during the year rose to 13 per cent; it never being, at any part of the year, less than 3*l.* 2*s.* in favour of London. The market price of Bullion, at the same period, was never above its mint price.

foreign bills, for the purpose of making foreign payments, being so great, that the premium upon them exceeds the expenses of the transit of bullion; and, consequently, the transit will take place and afford a profit to the exporter, though the price of bullion be precisely the same abroad as it is at home.

When such a quantity of bullion has been exported as to raise its market price above the mint price, the coin being obtainable at the mint price, will be exported in preference to bullion; not in consequence of any depreciation in the value of the coin, for it will purchase the same quantity of ordinary produce after the rise of the price of bullion as before; nor because it is more valuable abroad than it is here, for it will not purchase more in the foreign than the home market; but it will be exported, for the same reason that the bullion is exported, to take advantage of the premium on foreign bills, and will be sent, though the price of bullion be precisely the same in the continental market as the English mint price.

After what has been stated, it will be sufficiently apparent, upon what a false foundation the old notions respecting the advantages of a favorable balance of trade are built, and how futile all attempts must be to procure and detain bullion, beyond the quantity that is actually wanted for consumption. The transit of bullion from a high or

low *real* exchange is an unnatural transit, not arising from the wants of the country into which it flows, but depending solely on the profits which a temporary pressure for foreign payments affords to the bullion merchants on the sale of foreign bills; and as soon as the cause that has produced the temporary influx subsides, (an event that will sooner or later necessarily take place, by the import of such ordinary produce as is wanted for the purposes of consumption, and increased enjoyment of the people,) the superfluous and unused quantity of bullion that has been accumulated, will flow back from the country where its abundance has rendered its real price low, to those nations from which it had been unnaturally sent, and where its scarcity will have rendered its real price high.

Much of the confusion that attends this question would have been avoided, had the dealers in bills of exchange, and the dealers in bullion, (that is, the persons who export or import bullion for the supply of consumers,) been two distinct classes of merchants. It would then have been seen that the profits of the dealer in bills of exchange flowed through very different channels from those of the dealer in bullion. If at any time the course of exchange were such as to afford a profit to the bill merchant by the sale of foreign bills, he would export that bullion which had been imported for the use of the manufacturer, and would continue

to export till it no longer afforded a profit. The bullion dealer would then begin to re-import, in consequence of the difference of prices in the home and foreign markets, the bullion that the bill merchant had sent away, in consequence of the high premium on foreign bills. Whatever derangement the bill merchants might occasion in the quantity of bullion that would be otherwise naturally distributed among the different countries according to their wants, would be remedied by the operations of the bullion merchants, who would find their advantage in restoring the equilibrium that the bill merchants had destroyed.

The dealer in bills of exchange would have employment, when there was the least difference between the prices of bullion in the home and foreign market, and the *real* exchange at the the greatest deviation from par.

The bullion dealer would be most engaged, when there was the greatest difference in these prices, and the *real* exchange at its least deviation from par.

Had this distinction been attended to by Lord King, he would never have entertained such erroneous opinions respecting the exports of silver from this country to India, nor have considered them as indications of an exchange constantly in favor of England against the Continent; for he would have seen, that the export of bullion is not regulated

merely by the speculations of the dealers in bills of exchange, but is effected, like that of any other commodity, when there is such a difference in its real prices at any two places, as will afford a profit on its transit; an occurrence that will frequently take place, even with an exchange at par.

OF THE NOMINAL EXCHANGE.

THE market price of a foreign bill has been stated to depend upon two circumstances:—first, on the scarcity of bills in the market compared with the demand for them; and secondly, on the value of the coin or currency in which they are to be paid, compared with the value of the coin or currency with which they are bought.

The first of these, as connected with the *real* exchange, formed the subject of the foregoing Section; we shall now proceed to examine the nature and effects of the second, on which depend the alterations of the *nominal* exchange; and as in treating of the *real* exchange we endeavoured to

keep the subject as distinct as possible from the question of the *nominal* exchange, by supposing no alteration to take place in the value of the currencies in the respective countries; so in tracing the effects of the *nominal* exchange, we shall suppose the state of the *real* exchange to remain unaltered; or the mutual dealings and intercourse between the nations composing the great mercantile republic to be such, that the price of foreign bills is not affected by any variation in their abundance or scarcity, but that the supply of them is constantly sufficient to answer the *real* demand.

In this case the variations in their price can arise only from changes in the comparative value of the currencies in which they are paid, and those with which they are bought.

It will not be necessary, therefore, to enter into any enquiry respecting those changes which have taken place from the discovery of the American mines, or which have arisen from any cause that would affect all currencies in an equal degree; since the object is not to compare the value of currencies now, with what they were at any former period, but to estimate the local alterations that have taken place in the currency of one country, without a corresponding alteration in that of others.

The currency of every nation is subject to con-

tinual fluctuations in its value, principally from three circumstances.

First, An alteration in the quality and standard purity of the metal of which the coin is formed.

Secondly, An alteration in the quantity of the metal contained in coin of the same denomination.

Thirdly, An alteration in the total amount of the currency of a country, without a corresponding alteration in the commodities to be circulated by it.

The first of these is now seldom resorted to in a civilized country, even under the most pressing necessities of the government.

The second has been frequently adopted by princes and sovereign states, who through a mistaken policy have imagined that they derived a benefit from diminishing the quantity of metal contained in their coins. The English pound contained, in the time of Edward the First, a pound of silver. The French livre contained a pound weight of silver, in the time of Charlemagne. The English pound contains, at present, only one third, and the French one 66th part of their original value *; but I believe, except in Turkey, there is no instance of this practice being countenanced by any of the modern governments. The

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* Smith's Wealth of Nations, vol, i. p.39.

metallic currencies, however, of most nations, even where the governments have been desirous of maintaining them in a state of the utmost possible perfection, have been much diminished in value by being worn from use, and clipt or otherwise degraded by the illicit practices of the people. To avoid the confusion that would follow from the constant fluctuations in the value of currencies, merchants have adopted a mode by which they endeavour to estimate the extent of these fluctuations; and for this purpose, have ascertained with tolerable accuracy, in what quantities of coin of the mint standard in different countries, an equal weight of gold or silver of the same standard fineness is contained. Thus it has been determined, that a pound sterling of the English mint contains the same weight of silver, of a certain fineness, as 33 schillings 8 grotes* of the Hambro' banco-

* From the evidence before the Secret Committee of the House of Lords, in the year 1797, it appears that there is a difference in the mode of estimating the par of Exchange with Hambro'; the house of Goldsmid considering 33. 8. and Mr. Boyd's 34. 8. as the par of Exchange. The difference seems to have arisen, from the former estimating the par according to the standard of Hambro' banco money; the latter, according to the actual currency of Hambro' which appears to be more than 3 per cent. below the standard of the banco money. Upon this supposition there is less difficulty in reconciling the apparent contradiction, that 3 schillings above the par, has the same

money; and in speaking of the exchange with Hambro', 33. 8. is in the technical language of merchants said to be the par of exchange. In the same manner the par of exchange with France is fixed at 24, because 24 livres of the mint standard of France contain the same weight of silver, of a certain fineness, as the pound sterling of the English mint.

By means of this rule, the merchants of one country would never be at a loss to estimate what quantity of their own money would be equivalent to a specific sum of foreign money, so far as regarded the weight of metal, provided the coins of the respective countries contained the due weight of their respective mints. But in some countries the coins are more, in others less worn, and clipt or otherwise degraded below the mint standard. When these alterations have taken place, it would be necessary either to establish a new par of exchange,

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effect, one way, upon the transit of gold, that 4 grotes below par has the other; a fact that was stated by Mr. Goldsmid's partner, but which he was unable satisfactorily to explain.

If the Hambro' currency were so much degraded below the banco money, that 35 schillings 4 grotes currency were worth no more than 33 schillings 8 grotes banco money, there would be a *nominal* Exchange of 1 schilling 8 grotes against Hambro', for every pound sterling; and if the par is estimated at 33. 8. 4 grotes below that sum, and 3 schillings above it, would be equally distant from the *real* par of 35 schillings 4 grotes.

to guide merchants in their money transactions, or, as is now the general usage, not to alter the par of exchange, but to mark the fluctuation of the currency, by considering it as so much above or below the established par. In King William's time, before the reformation of the silver coin, (silver being then the metal in which the payments of the country were legally made,) the current coin was rather more than 25 per cent. below its standard value. The established par, however, was not altered, but the exchange was said to be 25 per cent. against England *. Before the reformation of our gold coin in 1774, the guinea contained so much less than its standard weight, that it was degraded 2 or 3 per cent. when compared with the French coin at the same period; and the exchange between England and France was then computed to be 2 or 3 per cent. against this country;---upon the reformation of the gold coin, the exchange rose to par. The Turkish government, in the course of the last forty years, has made three great alterations in its coin. Before these frauds were committed, the Turkish piastre contained nearly as much silver as the English half crown; and in exchange, the par was estimated at 8 piastres to the pound sterling. The consequence of these

* Smith's Wealth of Nations, vol. ii. p. 216.

repeated adulterations has been, the reduction of the silver in the piastre to one half, and a fall in the exchange of 100 per cent., bills on London having been bought in Turkey, in 1803, at the rate of 16 piastres for every pound sterling*. Now though it is not absolutely conclusive, that these alterations in the *computed* exchange were entirely owing to the fluctuations in the value of coin, because the *real* exchange at the time might not be constant; yet the correspondence of the difference of exchange, with the acknowledged degradation of the coin, renders it more than probable, that the fall of the *computed* exchange arose from an alteration in the *nominal* exchange only.

It is unnecessary to enter further into the detail of the consequences that arise from the degradation of the coin below its mint standard. As soon as that degradation (which never can remain long concealed) is discovered, the inconveniencies that would otherwise attend the commercial intercourse are obviated by a corresponding alteration in the *computed* exchange; and though during the continuance of the degradation, the *nominal* exchange will remain permanently unfavorable to the country in which it prevails, it will be immediately restored to par, by a reformation of the circulating

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* Foster, on Commercial Exchange, p. 93.

medium. We will therefore, in the remaining part of this enquiry into the nature and effects of the *nominal* exchange, suppose, that the currencies are not degraded below their mint standards, and confine our observations to the third cause, which has been stated to affect the value of currencies, viz. the ratio, which the total amount of the currency in one country bears to the commodities to be circulated by it, compared with the ratio that the currencies of other countries bear to the commodities which they are respectively employed to circulate. It is the fluctuation from this cause, which at present principally affects the *nominal* exchange.

Had the currencies of commercial states been confined to the precious metals only, it is scarcely possible that any increase of currency, more than was demanded by the wants of increasing wealth, could have taken place in countries that had no mines of their own. As the metals of which the coin was composed must have been purchased at their value, no possible motive can be conceived, that would induce the holder of bullion to convert it into coin, unless there was a real demand for it. The circulating medium of modern times no longer consists of the metals only, almost all nations having adopted, on a greater or less scale, the use of paper currency, issued, generally, under the sanction of government, by corporate bodies or banks,

who are responsible for the payment of it in specie on demand. As the profits of these corporate bodies or banks are in proportion to the quantity of the paper they can permanently keep in circulation, there can be no doubt, that every effort consistent with prudence, will be made to augment that quantity. But it is impossible that such an increase can take place in the quantity of any commodity that is given in exchange for others, whose quantity is not augmented in the same proportion, without affecting their comparative value. If the currency of a country is increased, while the commodities to be circulated by it remain the same, the currency will be diminished in value with respect to the commodities, and it will require a larger proportion of the former to purchase a given quantity of the latter; or, in other words, prices will rise. If we were in the habit of considering money as purchased by commodities, instead of commodities being purchased by money, the diminution in the value of money from its abundance, would be immediately apparent. "Mr. "Thornton admits, in the most explicit manner, "that if the quantity of circulating medium is "permanently augmented, without a corresponding augmentation of internal trade, a rise will "unavoidably take place in the price of exchangeable articles. Indeed this is a principle "upon which all the writers on Commerce, both

" practical and speculative, are agreed: they have " thought it so undeniable as to require no particular illustration, and have rather assumed " it as an obvious truth, than as a proposition " that depended on inference. Upon this idea is " founded Mr. Hume's well-known argument " against banks, and it is equally implied in Dr. " Smith's confutation of that objection; it forms " the foundation of those presumptions from which " Mr. Boyd has lately inferred an improper increase of Bank of England paper; and it is implicitly admitted, likewise, by Mr. Thornton, " one great object of whose book is to persuade the " public that there has been no such increase*." Without entering, therefore, into an unnecessary argument, I shall, for the present, assume as admitted, that the increase of currency, while the commodities to be circulated remain the same, will be attended with an increase of nominal prices, and a correspondent depreciation in the value of money.

Now it is impossible, when the currency of a country has been thus depreciated, that the same amount of it should purchase the same sum of foreign money as before its depreciation. A foreign bill, or an order for payment of a

* Edinb. Review, v. i. p. 178.

given sum of foreign money abroad, will not be sold, unless for such an increased amount of the depreciated currency, as will counterbalance the dimunition of its value. Foreign bills will, therefore, bear a premium, in proportion to the depreciation.

In the same manner a bill on the country where the currency is depreciated will be bought abroad, where money retains its value, for a much less *nominal* sum than the amount for which it is drawn; or, in other words, will be at a discount. Suppose, for instance, that the coins being in the utmost state of perfection in England and France, and the *real* exchange at par, the augmentation of the total amount of the currency in England were such as to raise prices here, to double their former amount, it would require, in that case, twice the sum to purchase the same commodity in England that would be required in France. The same *nominal* sum would, therefore, be only of half the value:---24 livres in France would purchase an order for the payment of 2*l.* sterling in England, and the *nominal* exchange, would be 100 per cent. against England.

An augmentation of currency that affects prices, cannot take place without a corresponding alteration in the *nominal* exchange. Merchants, from the average sale of the produce which they receive and remit, and from the uninterrupted cor-

respondence which they hold with each other, expressly for the communication of the prices current, have not much difficulty in distinguishing those fluctuations which are owing to the partial abundance or scarcity of a few articles, from that general increase of price which denotes a depreciation of currency;---or should they, from want of experience, be tempted to engage in commercial speculations, from a difference of prices not depending upon the *real* demand, but arising merely from an over-issue or contraction of currency, the loss upon their returns would infallibly teach them more caution in future.

After the par of exchange, therefore, has been established, an alteration in the value of currency, whether it arises from a debasement of the coin below its standard, a diminution of weight below the mint regulation, or depreciation of its value from relative over-issue, will alike affect the price of a foreign bill, and be made evident by an unfavorable *nominal* exchange.

It now remains to trace the operation of the *nominal* exchange on the several exports and imports of the country.

When foreign bills bear a premium from an unfavorable *nominal* exchange, it appears advantageous, upon a superficial view of the subject, to export produce, in consequence of the profit arising from the sale of the bill, which the merchant

would be authorised to draw upon his correspondent abroad. But a very little consideration will shew that there is, in this respect a striking difference between the *real* and the *nominal* exchange.

It is true that the merchant will obtain a premium upon his bill, but it is this premium which alone enables him to export. The same cause that has given rise to this premium, has increased the *nominal* prices of the articles, which he buys, for the purpose of exportation, in the home market; whatever he gains upon the bill, he loses in the purchase of his goods. The merchant, therefore, must calculate what is the difference at home and abroad, in the real prices of commodities, by which I mean the prices at which those commodities would be bought and sold, if no depreciation of currency existed. If those prices are such, as to admit of a profit, the merchant will continue to export, whether the *nominal* exchange be favorable or unfavorable;---that circumstance can make no difference whatever in his transactions.

Suppose, for instance, the currencies of Hambro' and London being in their due proportions, and therefore the *nominal* exchange at par, that sugar, which from its abundance in London sold at 50*l.* per hogshead, from its scarcity at Hambro' would sell at 100*l.* The merchant, in this case, would immediately export. Upon the sale of his

sugar, he would draw a bill upon his correpondent abroad for 100*l.* which he could at once convert into cash, by selling it in the bill-market at home, deriving from this transaction a profit of 50*l.*, from which he would have to deduct the expenses of freight, insurance, commission, &c. Now suppose no alteration in the scarcity or abundance of sugar in London and Hambro', and that the same transaction were to take place, after the currency in England had been so much increased that the prices were doubled, and consequently, the *nominal* exchange 100 per cent. in favor of Hambro'. The hogshead of sugar would then cost 100*l.* leaving, apparently, no profit whatever to the exporter. He would, however, as before, draw his bill on his correspondent for 100*l.*; and as foreign bills would bear a premium of 100*l.* per cent. he would sell this bill in the English market for 200*l.* and thus derive a profit from the transaction amounting to 100 depreciated pounds, or 50*l.* estimated in undepreciated currency; deducting, as in the former instance, the expenses of freight, insurance, commission, &c *.

* The reader will observe how much the nominal income, and apparent profits, of the merchant are increased by the depreciation of the currency.

The case would be precisely similar, *mutatis mutandis*, with the importing merchant. The unfavorable *nominal* exchange would appear to occasion a loss amounting to the premium on a foreign bill, which he must give in order to pay his correspondent abroad. But if the difference of *real* prices in the home and foreign markets were such as to admit of a profit upon the importation of produce, the merchant would continue to import, notwithstanding the premium; for that would be repaid to him in the advanced *nominal* price at which the imported produce would be sold in the home market.

Suppose, for instance, the currencies of Hambro' and London being in their due proportions, and therefore the *nominal* exchange at par, that linen which can be bought at Hambro' for 50*l.* will sell here at 100*l.* The importer immediately orders his correspondent abroad to send the linen, for the payment of which he purchases at 50*l.* a foreign bill in the English market, and on the sale of the consignment for 100*l.* he will derive a profit amounting to the difference between 50*l.* and the expenses attending the import.

Now, suppose the same transaction to take place, without any alteration in the scarcity or abundance of linen at Hambro' and London, but that the currency of England has been so augmented, as to be depreciated to half its value. The *no-*

minal exchange will then be 100 per cent. against England, and the importer will not be able to purchase a 50*l.* foreign bill for less than 100*l.* But as the prices of commodities here will have risen in the same proportion as the money has been depreciated, he will sell his linen to the English consumer for 200*l.* and will, as before, derive a profit amounting to the difference between 100*l.* depreciated money, or 50*l.* estimated in undepreciated money, and the expenses attending the import.

The same instances might be put in the case of a favorable exchange; and it would be seen in the same manner, that *nominal* prices and the *nominal* exchange being alike dependent upon the depreciation of currency, whatever apparent advantage might be derived from the former, would be counterbalanced by a loss on the latter, and *vice versâ*.

For the very same reasons that the *nominal* exchange produces no alteration in the imports or the exports of ordinary produce, it can have no effect on the export or import of bullion. Nothing can be more evident, than that bullion must be subject to the same variation in its prices from an alteration in the value of currency as any other commodity. If the value of currency is diminished, the prices of all commodities must advance,

and that of bullion among the rest *. How then is the profit of the merchant, from the export of bullion, to arise? Is it not evident that upon an unfavorable *nominal* exchange, whatever premium he may gain upon his bill, as much will be lost in the advanced price which he must pay for the bullion?---Yet all writers upon the subject of political œconomy, that I have met with, seem to be persuaded, that when the rate of exchange has deviated from par beyond the expenses of the transit of bullion, bullion will immediately pass; and the error has arisen, from not sufficiently distinguishing the effects of a *real*, and a *nominal* exchange. This false opinion seems to have been strongly impressed upon all the merchants and Bank Directors who were examined before the Secret Committee of the Houses of Lords and Commons, in the year 1797; nor does Mr. Pitt himself appear to have been exempt from its influence. Mr. Bosanquet expressly declares his opinion "that the "favorable state of the exchange afforded a pros-

* "Bullion is a commodity, and nothing but a commodity, "and it rises and falls on the same principle as all other commodities. It becomes, like them, dear in proportion as the "circulating medium for which it is exchanged is rendered "cheap; and cheap in proportion as the circulating medium "is rendered dear."---(Thornton, Paper Credit, p. 202.)

"pect of purchasing foreign gold, and setting the "mint at work," (p. 32. Com. H. of Lords, & passim.) Now it is absolutely impossible that an exchange, arising from depreciation of currency, can have any effect upon the export or import of bullion. For supposing the *nominal* exchange at par, and the *real* prices of bullion in London and Hambro' precisely the same, it is clear there could be no motive to export bullion, but that, on the contrary, it would be attended with the certain loss of the expenses of transit. Every thing else, then, remaining the same, let the currency in England be augmented so that the prices of commodities shall rise 4 per cent. and bullion of course among the rest; the depreciation of the currency will immediately be indicated by an unfavorable *nominal* exchange of 4 per cent. Is it possible that the bullion merchant can be deluded with the idea, that he can derive any benefit from a premium of 4 per cent. upon his bill, when he purchases bullion here at an advanced price, and sells it at Hambro' 4 per cent. lower? Does he not lose as much from the difference of prices, occasioned by the depreciation, as he gains by the premium on his bill, occasioned by the same depreciation; and consequently subject himself to all the expenses attending the transit, in the same manner as when the *nominal* exchange is at par?

For the same reason, there would be no advan-

tage derived from the import of bullion if the *nominal* exchange were favorable. Suppose it were 4 per cent. in favor of this country;---it is evident that money here would be 4 per cent. more valuable than at Hambro'; prices, therefore, would be 4 per cent. lower, and foreign bills in the English market would be at 4 per cent. discount. Under those circumstances, if foreign bills were purchased to be invested in bullion at Hambro', and the bullion were sent here, would it not be sold in the English market at 4 per cent. less than was given for it at Hambro'? thus destroying every advantage derived from the *nominal* exchange, and subjecting the importer to the same loss, as in the former instances. Is it then to be wondered at, that with such opinions as the Bank Directors seem to have entertained, they should be so totally at a loss to reconcile the facts with their false theory respecting the export and import of bullion? During the course of the year 1796, for eleven months previous to the Bank restriction, the exchange had been, with only two exceptions, favorable; and at the end of February 1797, was so high as considerably to exceed the expenses of the transit of bullion; yet when Mr. Raikes, on the 13th March, was examined before the Secret Committee of the House of Com-

* Secret Committee of the House of Commons, p. 23

mons, he acknowledged, that measures had been taken by the Bank to procure a supply of bullion, but without effect, as it could not be imported except at a considerable loss. On the 14th, Mr. Bosanquet stated to the same Committee, that the influx of bullion is occasioned by a favorable exchange; that the exchange had not been unfavorable for many months; and, when asked whether the importation had been such as it ought to have been, considering the state of the exchange, replied*, "I am not able "to answer these kind of questions." The fact is, that the *nominal* exchange might for years continue in favour of a country, and not cause a single ounce of bullion to flow into it, or have any effect upon the general state of exports and imports, which would proceed in their usual course, regulated only by the wants of consumers, and the supply of commodities †.

It is in vain therefore to look for any remedy for a high *nominal* exchange from any alteration in the

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* Secret Committee of the House of Commons; p. 78.

† It is not to be inferred, that because the *nominal* exchange has no effect on the general exports and imports, that therefore the country sustains no injury; the contrary of which will be shewn, in treating of the foreign expenditure of government, and the unequal pressure that the depreciation occasions on the different classes of the community.

exports and imports of a country. When it arises from a degraded state of the coin, a new coinage immediately restores it to par;---when it arises from the augmentation or contraction of currency, the restoration of the currency to a due proportion with the commodities to be circulated by it, will be the true and only remedy.

In what manner this restoration of the currency to its level is effected, it will now be proper to enquire.

In all countries the weight of bullion contained in any specific quantity of coin issued at the mint is determined by law. At the English mint, a pound weight of gold is coined into 44½ guineas, which, at 21*s*. the guinea, is equal to 46*l*. 14*s*. 6*d*. or 3*l*. 17*s*. 10½*d*. per ounce. This is said to be the mint price of gold in England, or the quantity of coin which the mint returns for standard gold bullion. An ounce of gold, therefore, so long as it remains in the shape of coin, can never be worth more than 3*l*. 17*s*. 10½*d*. because while it retains that form, it cannot be legally tendered in payment for more than that sum. As soon therefore as an over-issue of currency has raised the prices of all commodities, and that of bullion among the rest, the weight of gold contained in any specific quantity of coin will sell for a higher *nominal* value in bullion, than it will pass for in the form of coin; or, as it is usually expressed, the market price

of bullion will exceed the mint price, and there will be a profit attending the conversion of coin into bullion proportionate to the difference of the *nominal* value. Accordingly, the conversion immediately takes place, requiring very little greater excess of the market price above the mint price, than will pay for the fire that is to melt the coin. The operation is so simple, and requires so little apparatus, that it may be performed with the utmost secresy, and no penalties of the law, or vigilance of the officers of the Mint or Bank, have ever been found adequate to its prevention.

To account for this, there is no necessity for supposing a demand for bullion abroad. It is the conversion, that prevents the currency from ever exceeding the due proportion that is wanted for the purposes of circulation: for it can * never exceed that proportion, without augmenting the *nominal* price of bullion, and affording, as long as there is a superfluous quantity, a profit to the melter.

It is true that the same conversion may take

* The reader will apply the proper limitation to this general assertion, which is not meant to convey the idea that the effect will be instantaneous, or that it may not be counteracted by other causes, but that the over-issue of currency will have this tendency, and that ultimately the *nominal* price of bullion will be raised above its natural price, in proportion to the over-issue.

place, by exporting the coin to any foreign country, where it will be estimated according to its weight in bullion, and pass for its intrinsic value; and probably this circumstance has led so many writers to assign the capability of the transit of coin, as the reason why currency convertible into coin can never be depreciated by excess. But it is evident that, of the two modes of conversion, that by melting will be preferred, since it will be unattended by any expenses of transit. If the market price of bullion in London were 4 per cent. above its mint price, in consequence of the depreciation of currency, while at Hambro' there was no depreciation whatever, 100 guineas conveyed to the latter place would purchase the same value in commodities that 104 guineas would do in London; but as the expense of sending them would amount to 3 per cent.*, there would be a profit to the exporter of one guinea only; whereas the 100 guineas, melted in London, would immediately sell in the market for 109*l.* 4*s.*, leaving a clear profit of four guineas by the operation. It is absurd, then, to suppose that any man would expose himself to the penalties of the law, by exporting coin for a profit of 1 per cent., when with-

* The expense, as stated by Mr. Eliason, is 3*l.* 12*s.* 11*d.* per cent..---Evidence Secret Committee House of Lords, 1797, p. 96.

out subjecting himself to severer penalties, he might, by melting it, secure a profit of 4 per cent.

It is the melting, therefore, in consequence of the high market price at home, and not the export in consequence of a high *nominal* exchange, that will cause the disappearance of the coin. It is true, that after the melting has proceeded for some length of time, (unless indeed the melted coin be purchased for the purpose of being re-coined,) there will be a gradual accumulation of bullion beyond what may be wanted for consumption; and this abundance may render the commodity so cheap, that the bullion merchant may find his advantage in exporting it, in consequence of the difference of the *real* prices in the home and foreign markets. But this exportation is the effect of the melting, and not the cause of it. It is not a demand for the exportation of bullion that has caused the melting of the coin; but the coin being melted, to take advantage of the high *nominal* price of bullion, has lowered its real price so much, as to afford a profit upon its exportation. It is by no means necessary, however, that the bullion produced by the melting should be exported, since there may be a greater demand for bullion at home, for the purposes of manufacture, than there is abroad. The melter will always derive his profit by selling the melted coin at the high market price, which the bullion merchant

will be equally ready to give, whether he sell to the home manufacturer, or the foreign---whether, at the time, he be effecting the import or the export of bullion.

A want of attention to this distinction, so essentially necessary towards a just conception of the principle, which regulates the quantity of currency and the increase of prices, has led to some very erroneous opinions respecting what is called the universal level of currency: for it has been maintained by many writers upon political economy, and implied by almost all, that specie leaves the country where it is depreciated in consequence of the inferiority of its value to the currency of other countries *; that if the currencies of

* This error pervades Mr. Wheatley's Work on the Theory of Money and Principles of Commerce. He was well aware of the fact, that specie is frequently exported in consequence of an unfavorable exchange ; but as he does not admit of any alteration in the exchange, from the abundance or scarcity of foreign bills, (which is the real cause of the *export* of specie, when it does take place,) he attributed the effect, to the difference in the value of currencies ; and thence inferred, that the export of coin was the remedy for its depreciation---a principle, that leads at once to the conclusion, that prices might be indefinitely augmented, if the currencies of all nations were proportionally increased.

Mr. Ricardo and Mr. Mushet have fallen into the same error, respecting the export of specie, and do not seem to be aware, that the alteration in prices, from over-issue or contraction of

other nations were depreciated in an equal proportion, there would be no advantage attending the export; and that upon the supposition of the currency being proportionally increased throughout the world, prices might be universally and indefinitely augmented; whereas the export has no relation whatever to the value of currencies in other countries, but arises entirely from the relative value of gold in the form of coin, and in the form of bullion.

The coin of this country, when sent abroad, passes only for its intrinsic value, according to its weight, and it will not be sent abroad from an unfavorable *nominal* exchange, unless its value in the shape of bullion is greater than its value in the form of coin. But the real value of bullion on the Continent is no more affected by the depreciation of the currency there, than it is here. If there be a profit upon the export of coin from this country at a time when the currency is depreciated here, and is not depreciated upon the Continent, there would be the same profit, if the currency of the Continent were depreciated also; for the market

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currency, has no effect upon the exports and imports of ordinary produce; since they uniformly describe commodities as flowing from the nominally cheap, to the nominally dear market, without adverting to the counteracting effects of the *nominal* exchange.

price of bullion, at which our exported coin would then be sold abroad, would be so much higher in proportion to the depreciation of the foreign currency. Suppose that the currency at London and Hambro' being in their due proportions, and the *nominal* exchange at par, the *real* price of bullion corresponds in both places with the English mint price. Let the currency at London be depreciated by over-issue 4 per cent.; the market price of bullion at London would then exceed the mint price 4 per cent., and the nominal exchange would be unfavorable to the same amount. Under those circumstances, a merchant exporting 100*l.*'s worth of specie to Hambro', and drawing a bill upon his correspondent, would gain 1 per cent. by the transaction: for the specie, on its arrival at Hambro' where the market price of bullion, according to the hypothesis, corresponds with the English mint price, would sell in the bullion market for 100*l.* The English merchant would therefore draw for 100*l.*; and, foreign bills bearing a premium, would sell his bill in the English bill market for 104*l.*, which, after deducting 3 per cent. for the expenses of transit, would leave him a profit of 1*l.* per cent. Now suppose the currency at Hambro' to be also depreciated to the amount of 4 per cent.; the nominal exchange will then be at par, but the market price of bullion at Hambro' will exceed the English mint price 4 per cent. The 100*l.*'s worth of

specie will sell at Hambro' for 104*l.*; the merchant will therefore draw upon his correspondent for 104*l.*, and the exchange being at par, will procure 104*l.* for his bill in the English bill market; and deducting 3 per cent. for the expenses of transit, he will obtain a profit of 1*l.* per cent. as before.

It has been already demonstrated that bullion will not be exported under an unfavorable *nominal* exchange, merely in consequence of that exchange; and the reason why specie is exported under the same circumstances, is, that the coin, while it remains here, passes for less than its worth, and that abroad it passes for its real value;---in this country it forms a part of the currency, and partakes of the depreciation,---abroad, it passes as bullion, and is relieved from the depreciation. But it is quite clear that even in the export of specie, there would be no profit whatever, unless its depreciation were greater than the expenses attending its export; and therefore were there no other remedy for a depreciated currency than the export of specie, the *nominal* exchange might for any length of time continue unfavorable, to an extent somewhat less than the expenses of the transit of bullion. But the fact is, that no such continuance of an unfavorable exchange, even to that extent, can take place, so long as the currency is capable of being converted into bullion: for as soon as the

depreciation is evinced by an elevation of the market price of bullion above the mint price, that moment the conversion of the superfluous currency commences; and it depends upon the comparative demand for bullion, in this country, and the demand, upon the continent, whether the melted specie be exported or not.

It must be admitted, that, as soon as the depreciation has exceeded the expenses of the transit of specie, and thus afforded an option as to the mode of converting it into bullion, the foreign merchant, by buying abroad the bills upon England, wnich will necessarily be at a discount, and ordering his correspondent to whom he sends the bills, to invest them in English specie, will be enabled to procure bullion at the English mint price. So that as long as he can dispose of the bullion at that price abroad, he will derive a profit equal to the excess of the discount at which he has bought the English bills, above the expenses of the transit of specie. But it having been already shewn, that the profit on melting always exceeds the profit on exporting, by the amount of the expenses attending the export, it can never be believed that a merchant would collect the current coin, and by exporting it, subject himself to the penalties of the law, for the sake of obliging his foreign correspondent, and enabling him to acquire a profit of 1 per cent., when by melting the same coin, he

might himself, with less risk, obtain a profit of 4 per cent.

Again, if the *nominal* exchange were rendered favorable, 4 per cent. by a forced contraction of the currency, and the price of bullion were lowered with that of other commodities, so as to be 4 per cent. below the mint price; would any merchant purchase foreign bills at a discount of 4 per cent., and send them to Hambro' to be invested in foreign coin, for the sake of gaining 1 per cent. upon its import, when, by employing the same capital in the purchase of bullion in the home market, and converting it into coin at the mint, he would derive a profit of 4 per cent.?

The only case in which a superior advantage would be obtained from the export of specie, rather than from the conversion of coin into bullion, or from the import of specie rather than the conversion of bullion into coin, would be, when the over-issue or contraction of the currency had created a premium or discount of 4 per cent. on foreign bills, without producing an alteration of 1 per cent. in the market price of bullion. But it has been already shewn, that the nominal price of bullion is raised or lowered in the same manner as that of other commodities, to which it would otherwise no longer bear its natural relative value. Such an occurrence, therefore, if possible, can be but temporary, and does not affect the general argument.

Where the currency consists partly of coin, and partly of paper convertible at option into coin, it is for the same reason absolutely impossible that it can continue permanently in a state of depreciation: for should the Bank be so imprudent as to issue notes beyond the demands of increasing wealth, as soon as the augmentation of prices, and a consequent unfavorable *nominal* exchange, denoted the depreciation of the currency, the market price of bullion would exceed its mint price, and all that portion of the circulating medium which could be converted into bullion would begin to disappear. The paper of the Bank would be returned to be exchanged for coin, which would be immediately melted, and sold in the form of bullion, for notes, at the advanced nominal price. These, in their turn, would be sent to the Bank to be in the same manner exchanged for coin, which would be melted and sold as soon as procured.

Now this process might be going forward, and continue to drain the Bank of its gold, without the slightest demand for bullion abroad, or without any demand for foreign payments. It would equally take place, though the country were receiving payments instead of making them--though it were importing bullion instead of exporting it. Should the Bank persist in its over-issue, and still endeavour to throw the same quantity of notes into circulation, the Directors would be compelled to

purchase bullion, and coin it into guineas, in order to supply the drain occasioned by the return of their notes; and as Mr. Thornton states, "they "will have to do this at the very moment when "many are privately melting what is coined. "The one party might be melting and selling, "while the other is buying and coining; and each "of these two contending businesses will be carried on, not on account of an actual exportation "of each melted guinea to Hambro'; but the operation, or at least a great part of it, will be confined to London---the coiners and melters living "on the same spot, and giving constant employment to each other *."

Mr. Winthorp, in the evidence he gave before the Secret Committee of the House of Commons in 1797, (p. 46 and 47,) concluded that because there was a drain upon the Bank, there must necessarily be a drain upon the country; and stated "his belief that the coffers of the Bank generally shew whether money is coming into or "going out of the country." I should hope it would be unnecessary, after what has been already

* Thornton on Paper Credit, p. 125.

Mr. Thornton admits that the melting is not always connected with the export of bullion; but as the object of his Book was to shew that the currency was not depreciated, it was impossible for him to give even a plausible explanation of this part of his subject, without attributing the effect to an unfavorable *real* exchange.

observed, to offer any thing further in refutation of such opinions. The drain upon the Bank will begin under any circumstances, whenever the depreciation of currency from over-issue has raised the market price of bullion above its mint price; and it will continue, till the loss which the Bank must suffer by the purchase of bullion to supply the drain, shall compel the Directors to diminish the number of their notes, so as to bring back the currency to its natural level. The price of bullion will then fall to its mint price, and no longer afford a profit on being melted; the *nominal* exchange will invariably mark the amount of the depreciation during its continuance; and when the depreciation ceases, the *nominal* exchange will rise to par.

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The adoption of a paper currency, therefore, can never be injurious to a country, so long as it is convertible at option into specie. The temptation to its over-issue will always be sufficiently checked by the principle that has been just explained; and, independently of the convenience of making the larger payments, it will certainly be advantageous to carry on the circulation of a country by a cheap, rather than a costly, machinery.

It is obvious, that as the nominal prices of commodities will be increased by the over-issue of currency, so, for the same reasons, the contraction of it below the natural wants of circulation, will diminish the *nominal* prices in the same

proportion. A smaller quantity of currency will then measure the same value, and the nominal exchange will be favorable to the country where the value of the currency is increased. This is an event that does not often occur; for as the profits of a bank that issues paper-money depend upon the quantity it can circulate, the directors of the establishment will generally take care that the supply shall not be less than the demand. When the market price of bullion, however, has from any cause been elevated above the mint price, the Bank has always the power of giving the currency an artifical value by a diminution of its total amount; and it is evident that by such a diminution, the price of bullion will be lowered in the same proportion as that of any other commodity. Bullion will then be of less value in the market than in the form of coin, and the merchant will carry it to the mint, to obtain the profit attending its conversion into specie. If, under such circumstances, there should be a demand for bullion for the purpose of exportation, this would evidently occasion no drain upon the Bank, while it could be procured at a cheaper rate in the market; and should the demand for exportation continue so long as to raise the price of this commodity, in consequence of its scarcity* the

* The scarcity here spoken of refers only to the partial scarcity

Bank would always have the power by a greater contraction of its currency, to lower its *nominal* price, and thus preserve the superiority of its value in the form of coin over its value in the shape of bullion.

It is thus that the value of the currency is made to correspond with that of the precious metals of which it is composed, or into which it is convertible; and as long as they continue to be the standard by which the value of other commodities is estimated, the circulating medium of the whole mercantile republic will suffer no permanent alterations, but what arise from the variation in the intrinsic value of the precious metals themselves.

It is some proof of the truth of these positions respecting the uniformity of the value of currency, that from the period of the reformation of the gold coin in 1774, to the year 1797, the *computed* exchange between London and Hambro' was generally in favor of the former, arising, probably, from the superiority of our coin; and that it seldom varied, except in 1793, more than 5 per cent. on the one side or the other of par. In

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arising in particular countries from the temporary unequal distribution of bullion, and not an actual scarcity arising from a permanent diminution of the usual quantity produced at the mines.

that year the *computed* exchange rose to 10 and 11 per cent. in favor of this country, owing to the sudden contraction of currency that took place in consequence of the run upon and failue of the country banks, at the breaking out of the French revolutionary war, which had the effect of raising the *nominal* value of the currency here to the degree indicated by the favorable exchange. During the whole of this period the market price of bullion never exceeded its mint price, except in the year 1783, by the very trifling amount that has been already specified; and in the year 1795, when the Bank had extended its paper from less than 11 to upwards of 13 millions and a half.

After this review of the subject, and the strong evidence which presents itself that the currency of a kingdom, whether consisting of coin only, or partly of coin and partly of paper, can never be augmented beyond its due proportion, so long as the paper is convertible at pleasure into specie—can any one for a moment doubt of the result, should this salutary check be removed, and at the same time the paper currency be made a legal tender for the payment of debts*?

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* By the Restriction Act, bank notes are not absolutely a legal tender; but if a tender be made in notes, the debtor cannot be arrested.

Without this latter provision, motives of prudence might induce the Bank so to restrain its issues, as not to create an open discount upon its notes, and thus introduce a paper and a money price for commodities; but under the protection now afforded by the Restriction Act, there is no reason why it should not push the issue of this currency to the utmost possible limit, and particularly if there be a confidence in the public, that sooner or later the notes will be convertible into gold. There is no doubt, that with respect to the Bank of England this confidence is strongly felt by the public, and with good reason. Bank of England notes are never issued but for a valuable consideration, being principally advanced either upon Exchequer bills or in discounting the bills of merchants. Unless, therefore, the government is unable to redeem the former, or the merchants should be incapable of paying the latter when they become due, there must always be sufficient funds in the Bank to answer the demands upon it*. The depreciation from over-issue is therefore by no means necessarily connected with any want of confidence in the resources of the Bank, but rests upon an en-

* There must in fact be more than sufficient, since the value of the outstanding notes must be less than that of the bills upon which they were issued, by the amount of the interest deducted at the time they were discounted.

tirely different foundation, and might equally take place, whether the currency consisted partly of coin and partly of paper, or was composed entirely of the former: for it is not the paper only, but the whole currency, both the paper and the coin, so long as it remains in the form of coin, that is depreciated by over-issue. But as the latter is convertible into bullion by melting, it will be consigned to the crucible, for the purpose of removing the depreciation that it suffers, while it constitutes a part of the currency.

The advocates for the Bank restriction triumphantly ask, how it is possible that the notes can be depreciated, if 100*l.* in bank notes will purchase as much as 100*l.* in specie: but the question, as applied to the depreciation of the currency, is absurd; for the notes and the coin are alike depreciated *, and therefore exchange, as before, for the

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* This opinion is controverted in the Edinbro' Review, No. 25, p. 54, apparently under an idea that, as the price of gold and silver is nearly the same in all the countries of the world, a depreciation of the current specie in this country must necessarily be accompanied by a corresponding depreciation of the currency of all nations upon the face of the earth. But there is a material distinction between the depreciation of the specie, and the depreciation of the gold and silver that forms the specie. The first may be effected by the over-issue of the Bank, but that can have no influence on the *real* value of the bullion, which the specie contains. As an *argumentum ad hominem* against Mr. Thorn-

same quantity of produce in the market. But their intrinsic value is not the same, because guineas being convertible into bullion, the one may be relieved from its depreciation by a change in its form; whereas the other cannot*. This conversion is constantly going on, and must continue till not a piece of coin is left in circulation,

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ton, it is indeed conclusive, because he imagines the remedy for a depreciated currency consists in the exportation of coin to other countries, where it is not so depreciated. It would be impossible, therefore, for the specie to continue permanently degraded, upon his principles, unless the value of the currency of every other nation were equally so. But it has been shewn that the remedy for depreciated currency from over-issue depends on its conversion into bullion, and not upon its exportation.

The gold and silver currency may therefore fall in value below the level of the currency of neighbouring states, but this cannot be the case with the gold and silver of which it is composed.

* As long as the bank note for a guinea is convertible into gold bullion, at the option of the holder, its intrinsic value may be said to be the same as a guinea. Take away the convertibility, and the intrinsic value of the note is the value of the ink and paper of which it is composed. No banking operation, nor legislative provision, can ever alter the real value of the gold bullion in a guinea; but the number of nominal pounds to be given for that quantity of gold bullion, may be increased in the proportion that the total number of pounds in the currency is increased beyond what is wanted.

unless its weight be so much reduced below the standard as not to be worth the melting. The disappearance of the coin is the proof of its depreciation. The reason why the ordinary shopkeeper does not make a distinction between the payments made to him in gold, and those which he receives in paper, is, the confidence he feels that at some time or other the notes will be paid in specie, and that he is in the meantime deterred by the penalties of the law from melting the guineas---the only mode by which he can derive a superior profit, from a payment in coin. But the occupation of melting the specie is nevertheless followed by a less scrupulous class of the community, who have not hesitated to give a premium for guineas, whenever an opportunity offered of purchasing them, and of profiting by their conversion, without danger of detection *. But the difference in the intrinsic value of the notes and the guineas is not the less real, because it cannot openly be avowed. If the coin were allowed by law to be melted, if the penalties for this offence were less severe, or if guineas could be collected without exciting the suspicion of the officers of the Bank

* An instance of this has recently come before the public, in consequence of an information against a person charged with selling guineas for more than they are allowed to pass for by law.

and the Mint, neither the Restriction Bill, nor the provision that bank notes may be tendered as legal payment, would prevent a paper and a money price for commodities, and consequently an open discount upon bank paper.

The drain upon the Bank, in the year 1797, is allowed by all the Directors to have arisen from the alarm of invasion. The market price of bullion was, at the time, below its mint price; the exchange with the Continent was in favor of London; and therefore all the causes, that are usually assigned, as creating a drain upon the Bank, were operating in a contrary direction. The alarm originated, according to the evidence given by Mr. Burdon, one of the proprietors of the Newcastle bank, before the Secret Committee in 1797, from the orders that had been issued for taking an account of the stock of the farms of Northumberland, for the purpose of regulating the mode in which the county was to be driven, in case of invasion. The farmers immediately sold their produce at very low prices, and the notes which they received from the purchasers were poured in upon the persons by whom they were issued, to be exchanged for specie; in consequence of which, the banks at Newcastle were obliged to stop payment, and their failure was followed by a similar run upon the country banks throughout the kingdom, many of which were in like manner obliged to stop.

The alarm was communicated to the metropolis, and occasioned a drain upon the Bank, which had already been called upon for considerable advances, in consequence of the run upon the country banks. The distress of the mercantile class, from the great extent of the failures, and the general distrust they occasioned, aggravated by a violent, and therefore improvident, contraction of the usual quantity of bank paper, combined to produce that crisis which terminated in the restriction of cash payments at the Bank. It is unnecessary now to enquire how far this restriction at the time was politic or otherwise. It probably was a measure of prudence; but as the evil was temporary, so also ought to have been the remedy. It might have been expected, that the complete relief of the merchants, and the returning confidence of the people, would have been considered as the signal for discontinuing a law, which has given the Bank Directors a power of permanently altering the value of the circulating medium of the country. It has, however, been decided otherwise; and the consequence has been, that as the fears of the Bank Directors have been dispelled, the quantity of currency has been gradually increased, and has produced all those symptoms, which any person acquainted with the theory of money and exchange would easily have anticipated;---an augmentation in the price of commodities, an increase of the

market price of bullion over the mint price, and an unfavorable *nominal* exchange.

The effect of the over-issue of bank-notes upon the *computed* exchange may be visible from comparing the amount of the notes in circulation in the years 1795 and 1797, with the *computed* exchange at the same periods. The amount was augmented in February 1795, to $13\frac{1}{2}$ millions *, and the exchange between Hambro' and London, which was then 6 per cent. above par, fell, before September, to $3\frac{1}{2}$ per cent. against England. In February 1797, the paper in circulation was reduced to $8\frac{1}{2}$ millions, and the exchange between Hambro' and London rose to 6*l.* 18*s.* per cent. in favor of England. By the last returns presented to Parliament, it appears that the bank notes now in circulation amount to 21 millions, the market price of gold in November was 15*l.* 8*s.* 2*d.* per cent. above the mint price, and the exchange between Hambro' and London 16*l.* 18*s.* per cent. against England.

Should any one still be sceptical on the subject, a short survey of the mode in which the business of the Bank is conducted will probably remove his doubt. It has been already shewn, that so long as its notes are convertible at option into specie, a bank can never permanently keep in circulation more paper than the wants of the country require. But it is not perhaps, quite so clear, in what manner the over-issues of a bank that is

* Secret Committee of the House of Lords in 1797, p 176.

not liable to be called upon for cash payments, will augment the *nominal* prices of all commodities.

The notes of the Bank of England are issued to the merchants who are in want of money, on the security of bills of exchange of not more than 60 days date, which are brought to the Bank for discount.

On the receipt of the bill, the Bank gives to the merchant an equal amount in notes, deducting the interest at the rate of 5 per cent. When the bill is due, the Bank presents it for payment, and receives the amount in full, deriving a profit from the transaction equal to the interest of the notes for the time. The oftener this process can be repeated, and the greater the amount of the notes it lends, the greater will be its profits.--- Now it is evident, that if the purchases of the merchants could be effected by their own bills, it would be unnecessary for them to apply to the Bank for discounts; this application, then, is of itself a decisive proof that the bills of private merchants will not pass in the market with the same facility as the bills of a national Banking Company. The conversion, therefore, of the bills into notes is an increase of currency, which could not take place without the assistance which a bank affords.

Now the merchant regulates the scale of his

transactions by the amount of the capital he can command. The greater the extent of this capital, the larger the profits he will expect to derive from its employment. If he can make a profit of 10 per cent. by his business, he will always be willing to extend it by borrowing capital, for which he is to pay an interest of only 5 per cent. Here then are two parties exactly suited to the supply of each others wants, and co-operating from mutual interest towards the same object. The profits of the Bank are in proportion to the paper currency it can lend, and the expected profits of the merchant are in proportion to the paper currency he can borrow. Under such circumstances it is idle to talk of the Bank Directors having the power to contract their discounts when they perceive there has been an over-issue, unless a motive can be shewn for the exercise of that power. While the Restriction Act is in force, the only rule of their conduct will be the validity of the bills that are offered for discount, and they are bound by the duty they owe to the Bank Proprietors who appoint them, to profit by the facilities thus imprudently granted by the government, and to employ to the greatest possible advantage the funds of which they have the disposal.

It is equally idle to say that the merchant will not employ all the capital he can command, or

that his credit will enable him to borrow*. By the facilities that are now given to discounts, the merchants can always, either by immediate application to the Bank by means of their bankers, or, if in the country, by the intervention of the country banks, coin their credit into currency, which will operate upon the markets wherever it makes its appearance: for the prices of any given supply of produce will depend upon the number of purchasers, and the extent of the capital they can command. The more easily capital can be procured, the greater will be the competition in the market. Whenever the prospect of a profitable speculation offers, merchants will be eager to embark in it, and the demand, which, under ordinary circumstances, would be regulated by the amount of *real* capital capable of being diverted into that channel, will now be augmented in proportion to the *fictitious* capital, called into existence by the facilities

* See a whimsical pamphlet published by Mr. Smith on the Theory of Money. He asks, would bankers and merchants apply to have good bills discounted at the Bank, if bank notes were depreciated? The answer to which is obvious. The depreciation in no way affects the dealings of the merchants; who buy and sell at the high *nominal* prices, and whose profits are nominally increased in the same proportion as money is depreciated.

afforded from the Bank discounts; and thus an over-issue of notes will immediately take place, creating an additional number of purchasers, or increasing their powers of purchasing in proportion to the over-issue. If the increased currency be employed in a foreign speculation, it immediately acts upon the foreign bill-market, and creating there a fictitious demand, it affects the *nominal* exchange; if it be employed by the bullion-merchant, it raises the market price of that article; if by the home dealer, it augments the prices of native commodities. No sooner has it left the merchants by whose means it was called into existence, than it passes to the wholesale dealers and master manufacturers, who, in their turn, will raise the prices in their respective markets by a competition which is called into action merely by the over-issue.

If the evil were confined to the increased quantity of currency thus thrown into circulation by the Bank of England, it might not be attended with injurious consequences of such magnitude as are now experienced: but the misfortune is, that the same law which protects the National Bank, and enables it thus to derange the natural state of the circulating medium, confers the same power on all the country banks throughout the kingdom, which are now relieved from the fears and inconvenience to which under ordinary circumstances

they would be subject, should they at any time be tempted to issue their notes beyond the amount which the wants of their respective districts might require.

The country banks are, in the same manner as the Bank of England, enabled to supply their respective connexions with funds for speculation. If the excess of their paper should at any time excite doubts of their solvency, and create a run, they may be supplied by their correspondents in London with notes from the great central paper mint; and thus are all the lesser establishments throughout the kingdom absolved from every difficulty. They issue their notes almost without limit, and by these means enable the country dealers to enter into speculations and purchases, which, without their assistance, could never have been effected. Can any one then be surprised that prices should rise, when every addition of currency is attended with profit to the Bank by which it is issued; and that there can never be an additional issue of currency without creating additional purchasers to the same amount?

An objection has been urged against this view of the subject, which deserves to be noticed. It has been stated, that if only such bills are discounted at the Bank, as have been drawn in consequence of *bonâ fide* commercial transactions, no additional currency is thrown into circulation, more than the

wants of the mercantile community require; that the bills so discounted are the representatives of the property, by the transfer of which they are created; and thus a distinction has been attempted to be drawn between real and fictitious bills; or, as the latter are more generally termed, bills of accommodation. But it will not require much consideration to perceive that this, as far at least as concerns the over-issue of currency, is a distinction with little, if any, difference. Mr. Thornton has well observed, that "notes given in consequence of a real sale of "goods cannot be considered as on that account "certainly representing any actual property.---- "Suppose that *A.* sells 100*l.* worth of goods to *B.* "at six months credit, and takes a bill at six "months for it; and that *B.* within a month after, "sells the same goods to *C.* at a like credit, tak- "ing a like bill; that *C.* after another month, "sells them to *D.*; and so on: there may, at the "end of six months, be six bills of 100*l.* each, "existing at the same time, and every one of "them may possibly have been discounted. Of all "these bills, then, one only represents any actual "property. If the credit given be a credit of twelve "months instead of six, 1200*l.* instead of 600*l.* "would have been the amount of the bills drawn "on the occasion of the sale of goods, and 1100*l.* "would have been the amount of those that repre- "sented no property. In order to justify the sup-

" position that a real bill represents actual pro-
" perty, there ought to be some power in the bill-
" holder to prevent the property which the bill
" represents from being turned to other purposes
" than that of paying the bill in question *."

Now had these bills never been discounted, their circulation would have been confined to those persons only, with whom the parties, whose names appear on the bill, had credit; and their effect upon the general currency of the country would in such case have been exceedingly limited, compared with that which they have in the more negotiable form of the notes of a Banking Company.

" One of the motives of the seller who desires to
" have a note for goods sold, is, that he may engraft
" on the transaction of the sale the convenient con-
" dition of receiving from the buyer a discountable
" note of the same amount with the value of the
" goods. A fictitious note, or note of accommoda-
" tion, is a note drawn for the same purpose of being
" discounted, though it is not sanctioned by the cir-
" cumstance of its having originated in an actual
" sale of goods †." The Bank of England professes to refuse the discounting of any bills except those drawn for *boná fide* mercantile considerations; and so far as their own interests are concerned, it may

* Thornton on Paper Credit, p. 30. † Ibid.

be a very proper and highly prudent regulation: but to the public, it is of little moment upon what degree of security the Bank may think right to lend its notes; nor can the Directors, with all their vigilance, discriminate between real and fictitious bills. Whether real or fictitious, their conversion into notes will alike augment the currency of the country, which, without the check that has been pointed out in the foregoing pages, may be increased in an unlimited degree. In the case of the real bill, a *boná fide* transaction takes place prior to its being converted into currency, in consequence of a credit subsisting between the drawer of the bill and the seller of the goods. In the fictitious bill, for want of that credit between the drawer and the seller, the conversion of the bill into currency takes place in the first instance, and the *boná fide* transaction follows.

From what has been stated, the distinction between the *real* and the *nominal* exchange will be sufficiently apparent;---they have been found to differ most essentially, both in their causes and effects.

The *real* exchange has been proved to depend upon the proportion between the foreign payments which a country has to make, and the payments it has to receive.

The *nominal* exchange depends upon the comparative value of currencies.

The *real* exchange has an immediate effect upon the exports and imports.

The *nominal* exchange, whether favorable or unfavorable, has no effect whatever upon exports and imports.

An unfavorable *real* exchange, if its rate be sufficiently high, will cause an export of bullion, and may, under peculiar circumstances, lead to a drain upon the Bank.

An unfavorable *nominal* exchange, whatever be its rate, will not necessarily lead to any export of bullion, but will immediately cause a drain upon the Bank, for the conversion of coin into bullion.

When the market price of bullion exceeds the mint price, in consequence of its export from an unfavorable *real* exchange, the currency is not depreciated, for it bears the same relative value to all other commodities; it is the *real* price of bullion that is raised, from a temporary scarcity.

When there is an excess of the market price of bullion above the mint price, together with an unfavorable *nominal* exchange, the *real* price of bullion is not altered, for it bears the same relative value to all other commodities; it is the currency that is depreciated, from a temporary abundance.

The *real* exchange cannot be permanently favorable or unfavorable, whatever be the state of the currency.

The *nominal* exchange may continue for any

length of time favorable or unfavorable, provided the value of the currency continues to be depreciated.

Now the *computed* exchange depends upon the combined operations of the *real* and *nominal* exchange; and unless the distinctions just pointed out are kept constantly in view, it will be impossible to reconcile the contradictory results to which it appears to give rise.

OF THE COMPUTED EXCHANGE.

THE *computed* exchange is determined by the fluctuations of the price which a foreign bill bears in the market, but affords no criterion by which to distinguish whether those fluctuations arise from variations in the state of the *real*, or of the *nominal* exchange. As these are perfectly independent of each other, it is evident that if both are favorable, or both unfavorable, the *computed* exchange will denote their sum; but if the one is favorable, while the other is unfavorable, it will express their difference, and may be at par, though neither the

real or *nominal* exchange are so, provided the unfavorable state of the one be counteracted by the favorable state of the other. Now let any one for a moment consider, what different phœnomena would present themselves under an apparently similar state of the exchange, according to the mode in which that similarity was produced. For the *computed* exchange would be at par, if the *real* and *nominal* exchange were so; that is, if the supply of foreign bills were equal to the demand, and the currencies of other countries of the same value with our own, in which case the exports and imports would proceed in their ordinary course.

It would be at par, though the *real* exchange were unfavorable in any degree, if the *nominal* exchange were favorable in the same degree; that is, if the high price of foreign bills, arising from their scarcity, were counteracted by the superior value of our currency over that of other countries. In this case the unfavorable *real* exchange would induce an increased exportation and diminished importation;---it would occasion a demand for bullion for exportation, without creating any drain upon the Bank; because from the contraction of the currency, the market price of bullion would be below the mint price. Ordinary produce would be cheap, the *real* exchange would be gradually restored to par by the operation of the exports and imports; and the *nominal*

exchange would be raised to par by the conversion of bullion into coin.

The *computed* exchange would also be at par, though the *real* exchange were favorable, provided the *nominal* exchange were unfavorable in a similar degree; or, in other words, provided the low price of foreign bills, arising from their abundance, were counterbalanced by the depreciation of our currency compared with that of foreign countries. In this case there would be a diminished export and increased import, arising from the favorable state of the *real* exchange, attended with an influx of bullion; but there would at the same time be a drain upon the Bank, in consequence of the market price of bullion exceeding the mint price, from the over-issue of currency. Ordinary produce would be dear; the operation of the exports and imports would gradually restore the *real* exchange to par; and the *nominal* exchange would return to the same level by the conversion of the superfluous currency into bullion.

Again, the *computed* exchange might be in favor of a country, under very opposite states of the *real* and *nominal* exchange. Thus it would be 2 per cent. in favor of this country, if the *real* exchange were 3 per cent. above, and the *nominal* exchange 1 per cent. below par. It would also be two per cent. in favor of this country, with a favorable *nominal* exchange to the amount of 3 per

cent. and an adverse *real* exchange of 1 per cent. In the same manner, an adverse *computed* exchange might be shewn to arise from very opposite states of the *real* and *nominal* exchange *; and it would be easy to point out, under any given circumstances, in what manner the merchant would derive his profit from the produce he was engaged either in exporting or importing. Suppose, for instance, the *computed* exchange between Hambro' and London to be 1 per cent. against this country, and that this arises from a *real* exchange which is favorable to the amount of 4 per cent. and a *nominal* exchange unfavorable to the extent of 5 per cent.; let the *real* price of bullion at Hambro' and

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* Mr. Wheatley, who assigns the relative values of currencies as the exclusive cause of the fluctuations in the *computed* exchange, has endeavoured to prove, that the rate of exchange has constantly corresponded with the relative issues of currency. But the tables published by Lord King and Mr. Mushet furnish abundant proof of fluctuations in the exchange, without a corresponding alteration in the currency. Since the year 1797, when the correcting principle of the *nominal* exchange was removed in consequence of the Bank Restriction Act, there is, as might be expected, a general coincidence between the increase of bank notes in circulation and the adverse *computed* exchange; yet even within that period, there have been considerable intervals when the *computed* exchange between Hambro' and London has been in favor of the latter, and that too at the time when the greatest issues of currency recorded in Mr. Mushet's tables took place, viz. in May 1804, and January 1805.

London be precisely the same, and consequently the *nominal* prices different by the amount of the *nominal* exchange or 5 per cent. Now if the expences of freight, insurance, &c. on the transit of bullion from Hambro' are 3 per cent. it is evident that a profit would be derived from the import of that article, notwithstanding the *computed* exchange was 1 per cent. against us. In this case the merchant must give a premium of 1 per cent. for the foreign bill to pay for the bullion;---100*l.* worth of bullion at Hambro' would therefore cost him 101*l.* and the charges of importation would increase this sum to 104*l.* Upon the subsequent sale, then, for 105*l.* of depreciated currency in the home market he would derive from the transaction a profit of 1*l.* This sum is precisely the difference between the *real* exchange and the expenses of transit, that part of the *computed* exchange which depends upon the *nominal*, producing no effect; since whatever is lost by its unfavorable state, is counterbalanced by a corresponding inequality of *nominal* prices.

In the same manner it might be shewn, that with a favorable *computed* exchange, bullion might be flowing out of the country; but it would be tedious to multiply instances, which, as the intelligent reader will easily conceive, may be infinitely varied. Those which have been now adduced are sufficient to shew, what contradictory conclusions

may be drawn from any given rate of the *computed* exchange, and how impossible it is, from that alone, to determine either the relative value of currencies, or whether, what is usually called the balance of trade, be favorable or unfavorable to a nation*.

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* A singular instance of the confusion arising from a want of attention to these distinctions occurs in the following passage from the fifth Number of the Quarterly Review: "Mr. Thornton "having used the following expression---' If at any time the ' exchanges of the country become so unfavorable as to pro- ' duce a material excess of the market over the mint price of " gold.'---' Mr. Ricardo comments on this representation by " concisely saying, ' Here the cause is mistaken for the effect.' " Mr. Thornton seems to us indisputably correct; not but that " the unfavorableness of the exchange, and the rise in the bullion " price of gold, alternately act as cause and effect; but the " former may, in some cases, not improperly be said to precede " the latter, and it certainly does so in the case of a bad harvest, " of which Mr. Thornton is speaking in this case." P. 157.--- Here it is evident that Mr. Thornton's observation, if confined to the *real* exchange is correct. Mr. Ricardo's comment, if limited to the *nominal* exchange, may also be considered as correct, though it would have been more accurate to have stated, the unfavorableness of the exchange, and the excess of the market over the mint price of gold, both, as effects of the depreciation of the currency; and the Reviewer may be correct, if his observations are intended to apply to the *computed* exchange. The apparent contradictions arise from confounding the *real*, the *nominal*, and the *computed* exchange, under the general, unqualified term, exchange.

The merchant, by knowing the *computed* exchange, and the current prices in the home and foreign market, and without any acquaintance with the theory of exchange, or the principles which regulate it, will always have sufficient practical data to guide him in his commercial transactions; but the statesman should beware in making general legislative provisions, that he is not misled by the partial statements of men, whose individual interests are frequently in direct opposition to the general welfare of the country.--- This remark is not meant to convey any illiberal insinuations against a most useful and respectable class of the community; but experience sufficiently proves that self-interest gives a bias to the mind, which, without its being conscious of the influence, will mislead and pervert the judgment.---- Perhaps a more than ordinary degree of caution is requisite, in this commercial country, where there seems to be a prevailing opinion, that the riches of the merchants are evidence of the benefits that the nation derives from its foreign trade; it being forgotten, or unnoticed, that the profits of that class of persons are derived from the pockets of their countrymen; and that the advantages of foreign commerce consist in the stimulus it gives to the increase of the produce of the land and labour of the country; and to the opportunity which it affords, of exchanging the surplus produce thus

called into existence for an equivalent, and only an equivalent produce, collected from every climate, and materially contributing to the enjoyments and the comforts of the community.

Of the Effects of the Depreciation of the Currency on the Expenditure of Government, and on the Interests of the different Classes of the Community.

The foreign expenditure of government being principally discharged by the remittance or the draft of bills, must be subject to the premium or discount in proportion to the *computed* exchange. Whatever be the amount of that expenditure, it will always be effected with greater or less advantage, according as the computed exchange is favorable or otherwise. It is of no consequence, so far as the disbursements of the Treasury are concerned, in what way the foreign expenditure is ultimately discharged by the country: for as long as bills are made use of, as the immediate mode of payment by the government, so long must the government, whenever the *computed* exchange is unfavorable, pay the premium for foreign bills, or submit to the discount upon it

and so long, on the other hand, will it derive the advantage of the discount on foreign, and the premium on its own bills, whenever the state of the *computed* exchange is in favor of the country. It is therefore most essential to the interests of government, that the *computed* exchange should at all times be as favorable as possible. Now this can only be produced by a careful attention to the state of the currency, and its effects upon the *nominal* exchange; for the circumstances that affect the *real* exchange are not, at all times, within its controul.

Bad harvests and deficient crops will always create an encreased and unusual importation; and in the same degree, a demand for foreign payment. This will eventually, indeed, be discharged by an increased exportation; but in the mean time, and during the continuance of the pressure, the *real* exchange will become unfavorable, and will continue so till the consequent bounty upon all exported, and the duty upon all imported, commodities, shall restore it to par.

The *nominal* exchange, on the contrary, is completely within the controul of government, and can never be either permanently favorable or unfavorable, so long as the legislature exercises a due degree of vigilance over the state of the circulating medium. If the coin, in which the legal payments of the country are made, is not degraded, and the

paper is convertible at option into specie, it is impossible that the currency can ever be reduced below the almost uniform value, which the precious metals preserve among the different nations of the earth; because the depreciation of the currency will always be prevented, by the conversion of any superfluous quantity of it into bullion.

Should the legislature be induced by temporary circumstances to interfere with this regulating principle, and restrict the issuers of notes from the obligation of paying in specie, the consequences are easily foreen, and must soon be felt. There will be no longer any limit to the depreciation of the currency; the *nominal* exchange will continue permanently unfavorable, and will render the *computed* exchange so much the less favorable, or so much the more unfavorable, in proportion to the extent to which the currency may have been augmented beyond its natural amount.

The government, under these circumstances, will be utterly unable to relieve itself from the loss which must be incurred upon the total amount of its foreign expenditure, in whatever mode it is discharged; for the *nominal* exchange has a very different effect on the foreign payments of the state, and those of merchants in the course of their commercial transactions. The exporting merchant gains a premium on his bill equivalent to the *nominal* exchange, and by that advantage is repaid,

what would be otherwise lost in the high price he must give for his goods here, and the low price at which he must sell them abroad;---he derives no profit, and he suffers no loss. The importing merchant gives a premium for the foreign bill with which he pays for the produce he imports, but is repaid by the high *nominal* price at which he sells the produce at home. He also derives no profit, and sustains no loss.

But the government has no means of repaying itself for the loss occasioned by the *nominal* exchange. The equivalent is received abroad, and consumed there, and the bill for which the premium has been given will purchase precisely the same quantity of produce, whatever may have been paid for it here. Neither would the situation of government be altered, if, under an idea of saving the *nominal* exchange, it were induced to export commodities for the immediate supply of its armies, or its foreign establishments; for independently of the expenses of the transit, it would lose the whole amount of the *nominal* exchange, in the high prices at which the commodities would be bought in the home market. If bullion could be procured, there would still be the same loss; first, in the expenses of the transit; and secondly, in the high market price at which it must be bought here, while abroad it would pass for no more than its intrinsic value.

Without access to the documents and vouchers of government, there is no very accurate mode of estimating the amount of the foreign expenditure; but some approximation to it may be made, by a comparison of the exports and imports. It has been already observed, that the foreign expenditure of a country can only be discharged by the export of commodities to an equal amount; and as the equivalent is received and consumed abroad, it follows, that in every country where there is a foreign expenditure, the exports must exceed the imports to that extent:---the larger the expenditure, the greater will be the excess of exports over imports. From this acknowledged truth, the inference seems very obvious, or at least there is strong presumptive evidence to lead to this conclusion, that if a foreign expenditure cause an excess of exports over imports, an excess of exports over imports will denote a foreign expenditure.--- Yet even at this day there are not wanting men in the Cabinet, in the Senate, and among the best-informed classes of society, who still adduce as a proof of the gains, that are made by foreign commerce, this same excess, which indicates expenditure, and not receipt *. Mr. Pitt was continually

* The same inference has been drawn, from the excess of exports, by the present Chancellor of the Exchequer, while these

vaunting of the resources of the nation, as evinced by this circumstance; and Mr. Rose, in his "Brief

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sheets have been passing through the press. See his speech upon opening the budget.

The gradual increase, both of the annual imports, and exports, has been frequently adduced as a decisive proof of the flourishing state of our commerce—a conclusion that may be exceedingly fallacious. The *nominal* value of the exports and imports will in some degree keep pace with the increase in the *nominal* price of commodities, and will swell the apparent amount of merchandize exported and imported, without any material addition to the actual quantity. That the present increase arises principally from this cause, is rendered more than probable, by a comparison of the relative amount of tonnage employed for the transport of that merchandize, in the years 1807 and 1809. The following table is drawn up from the returns made to the House of Commons, January 30th and March 24th, 1810:

Tonnage of Vessels, British and Foreign, including their repeated Voyages, in the several Ports of Great Britain, from and to all Parts of Europe.

Year ended 5th Jan..	Inwards. Tons.	Outwards. Tons.
1808	944.282	811.255
1810	882.255	814.811

Official Value of the Imports and Exports for three Quarters, ending the 10th of October.

Year.	Imports.	Exports.
1807	19.717.396	22.464.875
1809	29.000.782	39.824.104

As the nature of the commodities is specified in the returns,

Examination," states, with the same view, the annual balance of trade in favonr of this country at 14,800,000*l*. Mr. Necker, acting upon similar principles, estimated the annual balance in favor of France at 3,000,000*l*.; and all other countries have in like manner prepared official statements of exports and imports, and boasted of a favorable balance *. Those, who have entered into the spirit of the observations upon the *real* exchange, will think it unnecessary that I should dwell upon these absurd opinions respecting a balance of trade, either favorable or unfavorable to a nation; it being evident, that, though at any particular mo-

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and does not appear to vary materially, as to the proportions of value and bulk in the respective years, the equality in the amount of tonnage employed is conclusive, that the apparent increase of trade is in a great measure *nominal*.

* "There is no mine, however productive, that could supply "the necessary stores for the balances that are claimed by the "different nations of the world. One country claims a balance "of 14,800,000*l*. and another of 5,000,000*l*. another of 3, "and others of 2 and 1, to the aggregate amount of nearly "40,000,000*l*. annually; and as all assert their commerce to be "favorable, it is obvious that their collective balances must be "paid by a continual influx of bullion from the mines corre-"spondent with their amount; but the annual produce of the "mines of the world does not exceed 7,000,000*l*." (Wheatley, on the Theory of Money, p. 139.)

ment there may have been more produce sent from a country than has been received in return for it, and that bullion does occasionally pass to liquidate the balance, this happens merely in consequence of a derangement of the usual commercial exchanges, and the bullion must eventually again leave the country into which it flows, unless detained there by the wants of the people, either for the purpose of ornamental manufacture, or an extended currency, in consequence of increased wealth.

All trade, whether foreign or domestic, consists in an exchange of equivalents. Gold and silver will be sent as the equivalent, when gold and silver are wanted for use. The hardware and woollens of England are exchanged for the silks and the wines of France, because these are more desired than the bullion of France. If it were the taste of the people of England to use gold and silver for their ordinary utensils, the bullion of France would be demanded as the equivalent. But they prefer the wines and silks, and rather than forego these luxuries, are content with utensils formed of coarser materials. When the exports exceed the imports, (as they must do, when there is a foreign expenditure, the equivalents for the excess are received "abroad in as full and ample a manner, as if the "produce which they purchased were actually im-"ported and entered in the Custom-house books,

" and afterwards sent to the seat of war for " consumption. But from the circumstance of " its not being inserted in the Custom-house " entries as value received against the produce " exported for its payment, the latter is deemed " to constitute a favorable balance, when it is in " reality exported to liquidate a balance against " us *."

Notwithstanding, therefore, the inaccuracy of the Custom-house returns, and the difficulty of ascertaining the actual value of the imports and exports,---notwithstanding that the imports from the East and West Indies are confounded with the imports arising from trade, when in fact they are merely remittances; the one, of territorial revenue invested in produce; the other, of rents and profits remitted to absentee planters resident in this country;---notwithstanding also, that the contraband trade introduces an immense quantity of commodities, which do not appear in the Custom-house returns; yet as the inaccuracies of one period are probably neither much greater nor less than those of another, if the ratio of the excess of exports to the foreign expenditure in one year, is known, it is fair to conclude, that the excess of any other

* See Wheatley on the Theory of Money, p. 219.

year will be nearly in the same proportion to the foreign expenditure of that year.

It appears from the accounts presented by Mr. Long to the Secret Committee of the House of Lords, in 1797, that the foreign expenditure in the year 1796, the fourth year of the French revolutionary war, amounted to 10,649,000*l.*; and the excess of exports above the imports, for the same year, taken from the Custom-house books, is 7,331,494*l.*; so that the foreign expenditure is to this excess in the ratio nearly of 10 to 7*. The excess of exports over imports for three quarters of the year 1809, is 17,359,229*l.* or above 23 millions for the year, as appears by the returns from the Custom-house presented to parliament the 10th of January 1810; but as these returns are exclusive of the imports from India, the amount of those imports must be deducted, to make the calculation correspond with the returns for 1796, in which those imports are included. The sale of the East India Company's goods, from March 1, 1809, to March 1, 1810, amounted to 8,237,035*l.*

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* The excess of exports over imports appears to be actually less than the foreign expenditure, in consequence of the produce remitted from the East and West Indies being entered in the Custom-house returns as imports.

the excess of exports over imports for the year 1809, after deducting this sum, would be about 15 millions, which, according to the ratio obtained for the year 1796, would give a foreign expenditure of 21 millions; and considering the enlarged scale of our military operations, together with the establishments in Sicily and Malta, it will perhaps be thought not much beyond the truth. During the whole of the year 1809, the exchange between London and Hambro' was never less than 7 per cent. in favor of the latter; and, increasing gradually towards the end of the year, it rose in the month of November to 16 per cent. Mr. Huskisson, in his examination before the Committee for enquiring into the policy and conduct of the expedition to the Scheldt, states the difficulties of negotiating bills in Spain, and in the Mediterranean, as much greater than at Hambro'; so that it is not improbable an additional expenditure of some millions has been incurred in consequence of the unfavorable state of the exchange, occasioning a correspondent loss to this country, which might have been entirely avoided, had the currency been sufficiently contracted to reduce the *computed* exchange to par.

Without, however, placing too much reliance upon an estimate, which at best can only be considered as an approximation, it must be evident,

that whatever may be the loss of government from this cause, it can only be supplied by laying additional burthens on the people. But this is not the only injury sustained in consequence of the depreciation of the currency; the same evil pervades the whole expenditure of government.---Whatever purchases are made must be at an increased cost in proportion to the *nominal* high prices that an excessive currency produces. It will be felt through all the departments of the state, and the enlarged scale of expense must be balanced by an encreased scale of taxation. It is a matter of general notoriety, that money within these few years has been considerably reduced in value. The depreciation has been visibly going forwards since the time of the Bank restriction; and as long as it continues, the interests of the Bank are in direct opposition to those of the government and the public.

If the evils of an excessive currency affected all classes of the community equally, there might be less reason for complaint; but the misfortune is, that one class suffers no injury whatever, while another is subjected to the whole pressure, without the possibility of relief. It is of no consequence to the merchant whether he purchase with guineas the commodities which were formerly bought with shillings. His exports and his imports are in no

degree affected; he is, in a great measure, relieved from the fear of pecuniary embarrassment; and in the same degree that the value of money is lowered, his *nominal* profits are increased. Without possessing greater means than before, of commanding the comforts and the luxuries of life, he feels himself relatively raised in the scale of society, as far at least as property has the power of raising him, in proportion to the *nominal* thousands he receives.

The landed proprietor is subject to all the evils of a depreciated circulating medium during the continuance of his current leases. As they expire, an opportunity is afforded him of profiting from the high *nominal* prices of produce, by raising his rents, and thus, to a certain degree, of preserving his relative station in life; but the uncertainty of seasons, and the consequent excessive variations in the prices of agricultural produce, will prevent him from increasing the amount of his income in the same proportion that its value is diminished; and as the depreciation proceeds, he must suffer from its effects, in proportion to the length of time for which his leases are renewed.

But it is upon that class of the community, which receives a *nominal* income, that the depreciation of the currency acts with the greatest severity. The public creditor, the annuitant, the

clergyman, the physician, the lawyer, the soldier, and the sailor---all the civil officers of government ---all persons receiving salaries only,---in short, all those who have no produce to dispose of, by the high price of which they might have the opportunity of remunerating themselves for the losses which the depreciation induces. They not only bear the increased burthens which the government is compelled to impose in consequence of the depreciation, but the remainder of their income no longer possesses the same power of procuring the necessaries and comforts of life.

Let this view of the injury sustained by the class receiving a *nominal* income be contrasted with the advantages which the Restriction Act has conferred on the Bank proprietors.---Since the year 1797, the proprietors of Bank Stock have received,

In 1799, a bonus of	10	per cent.	Loyalty.
In 1801, - - -	5	per cent.	Navy 5 per cent.
In 1802, - - -	2½	per cent.	Ditto.
In 1804, - - -	5	per cent.	Cash.
In 1805, - - -	5	per cent.	Ditto.
In 1806, - - -	5	per cent.	Ditto.

In 1807, the dividend was raised from 7 to 10 per cent. which, with the payment of the Property Tax, makes more than 11 per cent regular interest; and 100*l.* stock has increased from 127½*l.*

its price in 1797, to 280*l.* its price in 1809*. Besides which, there is generally understood to be a very large surplus, which has not yet been divided amongst the proprietors; and, if the vast sums of money that have been expended during this period upon the buildings of the Bank, be considered, some idea may be formed of the immoderate profits that have been acquired by this establishment.

The question therefore is simply this, whether the interests of so large a part of the community are to be sacrificed for the benefit of the proprietors of bank stock, and the different banking partnerships throughout the kingdom; and it is yet to be explained on what grounds the continuance of a system can be justified, which, if it were wise at the time of its adoption, has long ceased to be either equitable or politic. It might be called for by imperious necessity, during the moment of alarm, and may be again resorted to, should similar circumstances demand it; but in the mean time, it seems no more than right, that the Bank should be content with the profits that are to be acquired in a pursuit, which has at all times afforded an adequate remuneration to those who have embarked in it, without the assistance of a legislative provision, that has

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* Reflections on the Abundance of Paper, &c. by Sir Philip Francis.

deranged, and will continue to derange, so long as it exists, the circulating medium of the country.

Applications are continually making to parliament for an increase of salary to those who are unable to meet the pressure of the times, and to keep up appearances suitable to their stations in life. Instances of this have recently occurred, as well in the case of the inferior clergy, as of the officers of the army and navy. The salaries in all public offices, and public trading companies, are obliged to be raised, to enable the persons who are employed in them to purchase the necessaries of life*. Those who sell as well as buy, have the means of transferring the weight from their own shoulders; but the possessor of a *nominal* income receives the same number of pounds, whatever be their value;--he is a buyer only, and must submit to his fate. The effects of *ordinary* taxation are the depression of the same class, and a tendency, as it proceeds to confound the different ranks of society. It is the more incumbent therefore upon the legislature to be careful, that this depressed class be not overwhelmed by that *extraordinary* taxation, which

* Mr. Rose, in his pamplet on the Public Expenditure, in speaking of the increase of the expense of collecting the Excise revenue, observes, " The increase in the Excise is nearly altogether for the augmentation of the salaries of the officers on the establishment, to enable them to exist." p. 54.

arises from the necessity of increasing the *nominal* revenue of government, in proportion to the depreciation of its value.

The mode in which these evils are to be remedied, it is unnecessary, after what has been already said, for me to point out. When the cause that has produced the mischief is removed, the evils will subside of themselves. Lord King very justly observes, "Had parliament been called upon to "authorize any of those direct frauds upon the "currency, which have often disgraced arbitrary "governments; had it been recommended to "them to raise the denomination of the current "coin, there can be no doubt that such a pro-"posal would have been rejected with indigna-"tion. Yet an abuse of the same nature has "been established by law in this country. The "power of reducing the value of the currency by "a silent and gradual depreciation, is more dan-"gerous, from the very circumstance of its being "less direct, and less exposed to observation *."

The difficulty that now presents itself is, in what manner to revert to the former system, without injury to the Bank, or to the merchants, who have so long been indulged with the accommodation of

* Thoughts on the Restriction of Cash Payments at the Bank, p. 121.

procuring the discount of their bills;---and this difficulty is the more embarrassing, from the very peculiar and unprecedented combination of circumstances that exists at the present moment.

In consequence of the large army now maintained by this country on the Continent of Europe, and in the Mediterranean, our foreign expenditure is unusually great; and the export trade, which under the ordinary facilities of commercial intercourse, would enable us to defray this expenditure, is subjected to impediments from the controul exercised by the enemy over the commerce of the Continent, which it is difficult to overcome. Our merchants are compelled to find secret and circuitous modes of introducing their merchandize into foreign countries, which, even after its introduction, is liable to immediate confiscation *.---

* It has been said, that, in the countries more immediately under the controul of the French, the merchants refuse to take our produce in exchange, and demand specie or bullion in payment for what we import from them. Should this be the fact, it is a strong proof that the French decrees have produced their effect, and that the risk of confiscation has to a certain extent prevented British merchandize from being introduced into those countries. It will be impossible, under these circumstances, much longer to continue such a commercial intercourse, unless the means be found of procuring a very unusual supply of bullion from the American mines: and it will become a question, whether the South American market can take such a quantity of British pro-

This must operate as a very powerful check upon the export of the staple produce of the country; and great as the comparative excess of exports appears to be, from the last returns of the Custom-house that have been laid before Parliament, it is probable that the foreign expenditure would have demanded and produced a much greater excess, but for the restrictions that the French decrees have imposed upon our commerce. It is said, too, that the deficiency in the last year's harvest has occasioned an increased and unusual importation of foreign grain; so that the *real* exchange has been acted upon by the combined influence of all the causes that can render it unfavorable,---a large foreign expenditure, demanding an excess of exports which the restrictions on commerce obstruct; and an increased importation, to supply the failure of an article of the first necessity, counteracting the effect of the export trade, and diminishing its excess. If the market price of

duce as will be sufficient to supply the bullion that will be wanted for effecting the usual imports from Holland and France, and that part of the Continent, where the French decrees can be enforced. Independently of this, the accumulation of bullion on the Continent will by degrees render its real price so low, that the quantity to be given in exchange for commodities imported from thence, must be continually augmenting, and of course the price of continental produce so much enhanced to the consumer here, as at length to stop the consumption altogether.

bullion, therefore, were ever raised above the mint price by an unfavorable *real* exchange, it might be expected under the circumstances now enumerated; and should this be the case, and the Bank be immediately rendered liable to the payment of its notes in specie, there would be no possibility of its withstanding the drain that would immediately commence, without such a sudden contraction of paper as would endanger the stability of the merchants. For the *nominal* and the *real* exchange being both unfavorable in a great degree, the process of melting the coin, and the export of bullion, would be carried on at the same time;--- the first, to take advantage of the difference between the market and the mint price of gold; the second, on account of the excess of the premium upon foreign bills above the expenses of the transit of bullion; and this drain would continue till the issues of bank paper were sufficiently contracted, to lower the market price of bullion below its mint price.

It is not easy to ascertain what degree of contraction might be requisite to produce this effect, for the issues of the country banks are probably to the full as much above their due proportion, as those of the Bank of England. In the year 1795, before the drain took place which became the subject of such serious complaints to Mr. Pitt, the usual amount of bank notes in circulation was about 11 millions; at the time of the drain, the

issue had been increased to 13 millions, and from the 25th of February 1795, to the 25th of February 1797, had been violently contracted to 8½ millions. At that time bank notes were in common circulation in all parts of the kingdom, and had not been so completely displaced as they have since been, by the country notes. The paper circulating medium, therefore, required for the capital, and parts immediately adjacent, would probably not exceed 10 millions. The quantity of coin at the same period may be estimated by the proportion between the cash and paper payments at the Bank, as given in evidence by Mr. Abraham Newland, before the Secret Committee of the House of Lords*. He states, that previously to the restriction, if the dividends to the public creditor amounted to 14,000,000*l.*, not more than from 1,300,000*l.* to 1,400,000*l.* would be paid in cash. If in so large a payment, where cash in any quantity might be demanded, and where there must have been many fractional sums, one tenth only were paid in specie, it is fair to conclude that not more than one tenth would be given in the other money transactions of the metropolis. He adds, that 100,000*l.* would be sufficient for all the cash payments of the Treasury;---that in the

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* p. 63.

the gross produce of the Customs, which then amounted to 3,000,000*l.*, the Bank did not receive above 3000*l.* in specie;---in the produce of the Excise, stated at 7,000,000*l.*, not more than 60,000*l.*;---and in the instalments of a loan, consisting of much larger sums, not above 1 per cent. upon the whole*. So that taking 1 to 10 as the probable proportion of the specie to the notes, there would be about one million of the former in circulation, making, together with the paper, 11 millions for the total amount of the currency of the metropolis. By the last returns of the House of Commons, the bank notes in circulation on the 12th of Jan. in the present year, exclusive of the Bank post bills, amounted to 20,522,810*l.*; and as the quantity of these notes that circulate in the country is very trifling, it is not improbable that the currency of the capital has been nearly doubled in the course of the last thirteen years. The general opinion is, that the country banks have made a still more extensive use of the privileges which the Restriction Bill has afforded, and have multiplied their paper to an enormous amount. There seems every reason, therefore, to conclude, that the circulating medium would be under-rated at double its amount, in the year 1797; and consequently that if the

* See Wheatley on the Theory of Money, p. 142.

country does not require a greater quantity of currency now, than it did at that time, the Bank must contract its paper one half, or to about 11 millions, before commodities could be brought back to their natural prices *. but the [illegible]

Those who have attended to the distress in which the merchants were involved at the period to which we have referred, by a reduction of bank paper from 13½ to 8½ millions in two years, may conceive how infinitely more they must suffer by a sudden diminution of it from 21 to 11 millions. But this circumstance, which is a cogent reason against the immediate repeal of the Bank Restriction Bill, is also the strongest proof of the effect which the contraction of currency has upon prices; for whence could the distress of the merchants arise, but from their being compelled to dispose of their stock at reduced prices? They have now been so long habituated to the enhanced rates, that their purchases have been made with reference to this system, and under an expectation of deriving their present high *nominal* profits from its continuance. The number of purchasers in the

* The increase of prices, arising from the gradual progress of taxation, will probably require a larger circulating medium than might be wanted in 1797.

market, occasioned by the increased issues of paper, will be withdrawn, when the paper is again contracted, and consequently the holders of produce that has been bought upon credit, and for which bills are outstanding, must sell in the falling markets, in order to meet their acceptances when they become due. The Bank also, in consequence of the drain, will be compelled to reduce its paper, which it cannot effect, without refusing its usual discounts. The merchant, no longer possessing the means as before, of coining his credit into currency, must either sell, or be unable to make good his payments. In the same proportion as an increase of buyers was created by the over-issue, the contraction will create an increase of sellers; and thus it appears evident, that so sudden a diminution of currency, as would be necessary to protect the Bank, if the restriction were immediately withdrawn, would inevitably occasion great pecuniary distress, and be attended with the most injurious consequences to the credit and commerce of the nation.

But there is no necessity for such violence. The Bank may gradually diminish the amount of its paper, in the same manner in which it has for the last thirteen years been gradually increased. It is true such a proceeding will not be so popular with the merchants, but it will not be attended with

any real injury to their interests, whilst it will confer a substantial benefit on the possessor of a *nominal* income, a benefit to which he is upon every principle of justice entitled.

It is only necessary for parliament to determine the amount of the annual dimunition of the issues of the Bank, and to enforce the continuance of the measure, till it is found that the market price of bullion is permanently reduced, in a triflng degree, below its mint price. The currency will then be of the same value as if it consisted entirely of the precious metals, and the restriction may be removed without the slightest injury to the Bank, or any real injury to the merchant. This experiment may be made with the utmost safety, both to the Bank and the country; because parliament will at any time have the power of increasing or diminishing the annual contraction, should it be found that, in the first instance, too low or too high a limit had been assigned *.

* The Bank has been indulged so long in the exercise of the extraordinary privileges conferred upon it by the legislature, and has, by its extensive advances, acquired such a controul over the finances of individuals, and of government, that it may, perhaps, have become questionable, whether the Directors of that establishment have not, at this moment, the power of dictating their own terms; and whether the legislature may not be under the necessity of receiving, rather than of proposing conditions.

It will require, however, much caution and some firmness, lest the legislature should be misled by the clamours of those who will first feel the effects of the remedy; for as the Bank will immediately experience a diminution of its profits, and probably be at length compelled to lower the interest to the proprietors; as the issues of the country banker will be restrained within their natural limits; and as the merchant, under the first alarm which the falling prices will excite, and without forming a just conception of its cause, will not fail to exclaim against a system apparently so adverse to his interests; there can be little doubt but that the public, during its progress, will be assailed with the most gloomy predictions of the decline of the general wealth, and the ruin of the commercial prosperity of the nation. But a full and accurate acquaintance with this most important subject, will lead the government and the people to disregard and despise such idle and interested clamours,---to consider these effects not as symptoms of decay, but as evidences of the efficacy of a measure tending to restore the energies of the country. It will teach them the necessity of perseverance, not

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Should these conjectures have any foundation in truth, they furnish the most cogent reasons for the immediate extinction of a power, whose existence is incompatible with the independence and the supremacy of government.

merely for the purpose of obviating those mischiefs which have hitherto been experienced, but in order to prevent the still greater evils, which must infallibly result from an adherence to the same system. Above all, it will induce them to submit with cheerfulness to those trifling and partial inconveniencies, which may occasionally be experienced during the progress of the remedy, while they look forward with confidence to the re-establishment of the ancient scale and order of things, and the consequent increase, not only of the comforts of the great mass of the community, but of the resources, the powers, and the independence of the government.

In the following Tables, the figures indicating the per centage in favor of, and against London, denote pounds and the decimal parts of pounds, which are not carried beyond one decimal place.

A Table of the Rates of Exchange between London and Hambro', and of the Market Price of Gold, from 1760 *to* 1810; *extracted from the Tables of Mr. Mushet:*

		Hamburgh.	Per centage in favor of London.	Per centage against London.	Price of Standard Gold per oz.	Per centage above its Mint Price.	Per centage below its Mint Price.
1760	Jan. 1	36 4	7 .9		3 18 6	0 16 0 2	
	March 4	36 1	7 .1		3 18 9	1 2 5 2	
	May 2	35 6	5 .4		3 19 1	1 11 0 1	
	July 1	32 6		3 .5	3 19 0	1 8 10 2	
	Sept. 2	32 2		4 .5	4 0 1	2 16 8 2	
	Nov. 4	31 8		6	3 19 4	1 17 5 1	
1761	Jan. 2	32		5	3 18 10	1 4 7 1	
	March 3	32 3		4 .3	3 19 8	2 6 0	
	May 1	32 2		4 .5	4 0 0	2 14 6 3	
	July 3	31 11		5 .2	4 0 6	3 7 5	
	Sept. 1	32 5		3 .8	4 0 6	3 7 5	
	Nov. 3	33		2	3 19 4	1 17 5 1	
1762	Jan. 1	32 11		2 .3	3 19 0	1 8 10 2	
	March 2	33 9	0 .2		3 18 9	1 2 5 2	
	May 4	34 3	1 .7		3 19 3	1 15 3 3	
	July 2	34 8	2 .9		3 19 10	2 10 3 2	
	Sept. 3	35	3 .9		3 19 4	1 17 5 1	
	Nov. 2	35 1	4 .2		3 18 10	1 4 7 1	
1763	Jan, 4	34 2	1 .4		4 0 0	2 14 6 3	
	March 1	33 11	0 .7		4 0 6	3 7 5	
	May 3	34 2	1 .4		4 1 3	4 6 8	
	July 1	34 3	1 .7		4 0 6	3 7 5	
	Sept. 2	34 7	2 .7		4 1 6	4 13 1 3	
	Nov. 1	34 11	3 .7		3 18 9	1 2 5 2	
1764	Jan. 3	34 5	2 .2		3 18 3	0 9 7 2	
	March 2	35 2	4 .4		3 18 3	0 9 7 2	
	May 1	34 11	3 .7		3 18 3	0 9 7 2	
	July 3	35 1	4 .2		3 18 3	0 9 7 2	
	Sept. 4	35	3 .9		3 18	0 3 2 2	
	Nov. 2	35 1	4 .3		3 18	0 3 2 2	

		Hamburgh.	Per centage in favor of London.	Per centage against London.	Price of Standard Gold per oz.	Per centage above its Mint Price.	Per centage below its Mint Price.
1765	Jan. 1	35 1	4 .9		3 18 0	0 3 2 1	
	March 1	34 10	3 .4		3 18 0	0 3 2 2	
	May 3	34 11	3 .7		3 18 0	0 3 2 2	
	July 2	34 9	3 .2		3 18 0	0 3 2 2	
	Sept. 3	34 4	1 .9		3 18 8	1 0 3 3	
	Nov. 1	34 4	1 .9		3 18 2	0 7 5 3	
1766	Jan. 3	34 6	2 .4		3 18 7	0 18 2 1	
	March 4	34 9	3 .2		3 18 8	1 0 3 3	
	May 2	34 11	3 .7		3 19 2	1 13 2	
	July 1	35 1	4 .9		3 19 10	2 10 3 2	
	Sept. 2	35 3	3 .7		3 19 0	1 8 10 2	
	Nov. 4	35 8	5 .9		3 19 0	1 8 10 2	
1767	Jan. 2	35 6	5 .4		3 19 3	1 15 3 3	
	March 3	35 8	5 .9		3 19 4	1 17 5 1	
	May 1	35 10	6 .4		3 19 10	2 10 3 2	
	July 3	35 8	5 .9		3 19 8	2 6 0	
	Sept. 1	35 11	6 .6		3 19 5	1 19 7	
	Nov. 3	35 6	5 .4		3 19 5	1 19 7	
1768	Jan. 1	34 11	2 .7		3 18 8	1 0 3 3	
	March 1	34 4	1 .9		3 18 9	1 2 5 2	
	May 3	34 8	2 .9		3 19 1	1 11 0 1	
	July 1	34 7	2 .7		3 19 6	2 1 8 3	
	Sept. 2	34 5	2 .2		3 19 6	2 1 8 3	
	Nov. 1	33 6		6 .5	3 19 5	1 19 7	
1769	Jan. 3	33 2		1 .5	3 19 7	2 3 10 1	
	March 3	33 4		1	3 19 9	2 8 1 3	
	May 2	33 8			4 0 3	3 1 0	
	July 4	33 6		.5	4 0 8	3 11 8 1	
	Sept. 1	33 6		0 .5	4 0 4	3 3 1 2	
	Nov. 3	33 1		1 .8	4 0 6	3 7 5	

		Hamburgh.	Per centage in favor of London.	Per centage against London.	Price of Standard Gold per oz.	Per centage above its Mint Price.	Per centage below its Mint Price.
1770	Jan. 2	33 2		1 .5	4 0 6	3 7 5	
	March 2	33 2		1 .5	4 0 4	3 3 1 2	
	May 1	33 3		1 .3	4 0 4	3 3 1 2	
	July 3	33 4		1	4 0 2	2 18 10 1	
	Sept. 4	33 2		1 .5	4 0 0	2 14 6 3	
	Nov. 2	33 5		0 .8	3 19 6	2 1 8 3	
1771	Jan. 1	33 8			3 18 9	1 2 5 2	
	March 1	33 9	0 .2		3 18 10	1 4 7 1	
	May 3	33 6		0 .5	3 19 2	1 13 2	
	July 2	33		2	3 19 9	2 8 1 3	
	Sept. 3	32 11		2 .3	4 0 8	3 11 8 1	
	Nov. 1	32 9		2 .8	4 0 7	3 9 6 2	
1772	Jan. 3	32 7		3 .3	4 1 0	4 0 3	
	March 3	32 11		2 .3	4 1 0	4 0 3	
	May 1	32 10		2 .5	4 0 9	3 13 10	
	July 3	33 4		1	4 0 0	2 14 6 3	
	Sept. 1	33 5		1 .3	3 19 0	1 8 10 2	
	Nov. 3	33 8			3 18 0	0 3 2 2	
1773	Jan. 5	34	0 .9		3 18 0	0 3 2 2	
	March 2	35	3 .9		3 18 0	0 3 2 2	
	May 4	34 9	3 .2		3 17 11	0 1 0 3	
	July 2	34 11	3 .7		3 17 9		0 3 2 2
	Sept. 3	34 8	2 .9		3 17 9		0 3 2 2
	Nov. 2	34 9	3 .9		3 17 9		0 3 2 2
1774	Jan. 4	34 9	3 .2		3 17 9		0 3 2 2
	March 1	34 10	3 .4		3 17 9		0 3 2 2
	May 3	34 7	2 .7		3 17 9		0 3 2 2
	July 1	34 9	3 .2		3 17 9		0 3 2 2
	Sept. 2	34 5	2 .2		3 17 7		0 7 5 3
	Nov. 1	34 2	1 .4		3 17 7		0 7 5 3

		Hamburgh.	Per eentage in favor of London.	Per centage against London.	Price of Standard Gold per oz.	Per centage above its Mint Price	Per centage below its Mint Price
1775	Jan. 3	34 3	1 .7		3 17 7		0 7 5 3
	March 3	34 5	2 .2		3 17 7		0 7 5 3
	May 2	34 4	1 .9		3 17 7		0 7 5 3
	July 4	34 5	2 .2		3 17 7		0 7 5 3
	Sept. 1	34 4	1 .9		3 17 7		0 7 5 3
	Nov. 3	34 2	1 .4		3 17 7		0 7 5 3
1776	Jan. 5	34 1	1 .2		3 17 7		0 7 5 3
	March 1	33 9	0 .2		3 17 7		0 7 5 3
	May 3	33 8			3 17 7		0 7 5 3
	July 2	33 3		1 .3	3 17 7		0 7 5 3
	Sept. 3	33 5		0 .8	3 17 7		0 7 5 3
	Nov. 1	33 1		1 .8	3 17 7		0 7 5 3
1777	Jan. 3	33 2		1 .5	3 17 7		0 7 5 3
	March 4	33 0		2	3 17 7		0 7 5 3
	May 2	32 10		2 .5	3 17 7		0 7 5 3
	July 1	32 7		3 .3	3 17 7		0 7 5 3
	Sept. 2	32 2		4 .5	3 17 7		0 7 5 3
	Nov. 4	32 1		4 .8	3 17 7		0 7 5 3
1778	Jan. 2	32 4		4	3 17 7		0 7 5 3
	March 3	32 9		2 .8	3 17 7		0 7 5 3
	May 1	34 2	1 .4		3 17 7		0 7 5 3
	July 3	34 7	2 .7		3 17 7		0 7 5 3
	Sept. 1	34 5	2 .2		3 17 7		0 7 5 3
	Nov. 3	34 10	3 .4		3 17 7		0 7 5 3
1779	Jan. 1	35 6	5 .4		3 17 7		0 7 5 3
	March 2	35 8	5 .9		3 17 6		0 9 7 2
	May 4	36 2	7 .4		3 17 6		0 9 7 2
	July 2	35 10	6 .4		3 17 6		0 9 7 2
	Sept. 3	33 9	0 .2		3 17 6		0 9 7 2
	Nov. 9	34 4	1 .9		3 17 6		0 9 7 2

		Hamburgh.	Per centage in favor of London.	Per centage against London	Price of Standard Gold per oz.	Per centage above its Mint Price	Per centage below its Mint Price.
1780	Jan. 4	34 6	2 .4		3 17 6		0 9 7 2
	March 3	35 7	5 .6		3 17 6		0 9 7 2
	May 2	35 2	4 .4		3 17 6		0 9 7 2
	July 4	34 8	2 .9		3 17 6		0 9 7 2
	Sept. 1	34 1	1 .2		3 17 6		0 9 7 2
	Nov. 3	33 10	0 .4		3 17 6		0 9 7 2
1781	Jan. 2	34 1	1 .2		3 17 6		0 9 7 2
	March 2	33 11	0 .7		3 17 6		0 9 7 2
	May 1	33 7		0 .3	3 17 6		0 9 7 2
	July 3	32 1		4 .8	3 17 6		0 9 7 2
	Sept. 4	32 2		4 .5	3 17 6		0 9 7 2
	Nov. 2	31 11		5 .2	3 17 6		0 9 7 2
1782	Jan. 1	31 9		5 .7	3 17 6		0 9 7 2
	March 1	32 10		2 .5	3 17 6		0 9 7 2
	May 3	32 11		2 .3	3 17 6		0 9 7 2
	July 2	32 11		2 .3	3 17 6		0 9 7 2
	Sept. 3	32 6		3 .5	3 17 9		0 3 2 2
	Nov. 1	31 8		6	3 17 9		0 3 2 2
1783	Jan. 3	32 7		3 .2	3 17 9		0 3 2 2
	March 4	32 5		3 .8	3 17 9		0 3 2 2
	May 2	31 9		5 .7	3 18 0	0 3 2 2	
	July 1	31 6		6 .5	3 18 0	0 3 2 2	
	Sept. 2	31 6		6 .5	3 18 0	0 3 2 2	
	Nov. 4	32 9		2 .8	3 18 0	0 3 2 2	
1784	Jan. 2	33 6		0 .5	3 18 0	0 3 2 2	
	March 2	33 9	0 .2		3 18 0	0 3 2 2	
	May 4	34 4	1 .9		3 17 10 2		
	July 2	34 4	1 .9		3 17 10 2		
	Sept. 3	34 7	2 .7		3 17 10 2		
	Nov. 2	34 8	2 .9		3 17 10 2		

		Hamburgh.	Per centage in favor of London.	Per centage against London.	Price of Standard Gold per oz.	Per centage above its Mint Price.	Per centage below its Mint Price
1785	Jan. 7	35	3 .9		3 17 10 2		
	March 1	35 4	4 .9		3 17 10 2		
	May 3	34 11	3 .7		3 17 10 2		
	July 1	35 6	5 .4		3 17 6		0 9 7 2
	Sept. 2	35 4	4 .9		3 17 6		0 9 7 2
	Nov. 1	35 3	4 .7		3 17 6		0 9 7 2
1786	Jan. 3	34 10	3 .4		3 17 6		0 9 7 2
	March 3	34 11	3 .7		3 17 6		0 9 7 2
	May 2	34 5	2 .2		3 17 6		0 9 7 2
	July 4	34 3	1 .7		3 17 6		0 9 7 2
	Sept. 1	34 3	1 .7		3 17 6		0 9 7 2
	Nov. 3	34 6	2 .4		3 17 6		0 9 7 2
1787	Jan. 2	34 5	2 .2		3 17 6		0 9 7 2
	March 2	34 7	2 .7		3 17 6		0 9 7 2
	May 1	34 7	2 .7		3 17 6		0 9 7 2
	July 3	34 8	2 .9		3 17 6		0 9 7 2
	Sept. 4	35	3 .9		3 17 6		0 9 7 2
	Nov. 2	35 1	4 .2		3 17 6		0 9 7 2
1788	Jan. 1	35 1	4 .2		3 17 6		0 9 7 2
	March 4	35 3	4 .7		3 17 6		0 9 7 2
	May 2	35 4	4 .9		3 17 6		0 9 7 2
	July 1	35 1	4 .2		3 17 6		0 9 7 2
	Sept. 2	35	3 .9		3 17 6		0 9 7 2
	Nov. 4	34 9	3 .2		3 17 6		0 9 7 2
1789	Jan. 6	34 10	3 .4		3 17 6		0 9 7 2
	March 3	35 1	4 .2		3 17 6		0 9 7 2
	May 1	35 6	5 4		3 17 6		0 9 7 2
	July 3	35 7	5 .6		3 17 6		0 9 7 2
	Sept. 1	35 5	5 .1		3 17 6		0 9 7 2
	Nov. 3	35 1	4 .2		3 17 6		0 9 7 2

		Hamburgh.	Per centage in favor of London.	Per centage against London.	Price of Standard Gold per oz.	Per centage above its Mint Price	Per centage below its Mint Price.	Amount of Bank of England notes in Circulation.
1790	Jan. 29	35	3 .9		3 17 6		0 9 7 2	
	March 1	35 2	4 .4		3 17 6		0 9 7 2	10,245,280
	May 4	35 4	4 .9		3 17 6		0 9 7 2	11,160,590
	July 2	35 7	5 .6		3 17 6		0 9 7 2	
	Sept. 3	35 6	5 .4		3 17 6		0 9 7 2	11,348,700
	Nov. 2	35 7	5 .6		3 17 6		0 9 7 2	11,510,270
1791	Jan. 4	35 6	5 .4		3 17 6		0 9 7 2	
	March 1	35 10	6 .4		3 17 6		0 9 7 2	11,601,950
	May 3	35 11	6 .6		3 17 6		0 9 7 2	12,060,620
	July 1	35 10	6 .4		3 17 6		0 9 7 2	
	Sept. 2	35 6	5 .4		3 17 6		0 9 7 2	11,764,680
	Nov. 1	35 2	4 .4		3 17 6		0 9 7 2	11,225,840
1792	Jan. 3	34 6	2 .4		3 17 6		0 9 7 2	
	March 2	34 6	2 .4		3 17 6		0 9 7 2	11,239,170
	May 1	34 3	1 .7		3 17 6		0 9 7 2	11,765,280
	July 3	34 5	2 .2		3 17 6		0 9 7 2	
	Sept. 4	34	0 .9		3 17 6		0 9 7 2	11,316,790
	Nov. 2	34 3	1 .7		3 17 6		0 9 7 2	11,157,040
1793	Jan. 1	35 4	4 .9		3 17 6		0 9 7 2	
	March 1	36 7	8 .6		3 17 6		0 9 7 2	11,963,820
	May 3	37 6	11 .3		3 17 6		0 9 7 2	12,100,650
	July 2	37 2	10 .3		3 17 6		0 9 7 2	
	Sept. 3	36	6 .9		3 17 6		0 9 7 2	10,938,620
	Nov. 1	35 3	4 .7		3 17 6		0 9 7 2	10,967,310
1794	Jan. 3	35 9	6 .1		3 17 6		0 9 7 2	
	March. 4	36 4	7 .9		3 17 6		0 9 7 2	11,159,720
	May 2	36 7	8 .6		3 17 6		0 9 7 2	10,366,450
	July 1	35 6	5 .4		3 17 6		0 9 7 2	
	Sept. 2	35	3 .9		3 17 6		0 9 7 2	10,343,940
	Nov. 4	34 5	2 .2		3 17 6		0 9 7 2	10,927,970

		Hamburgh.	Per centage in favor of London.	Per centage against London	Price of Standard Gold per oz.	Per centage above its Mint Price.	Per centage below its Mint Price.	Amount of Bank of England notes in circulation.
1795	Jan. 2	34 6	2 .4		3 17 6		0 9 7 2	12,432,240
	March 3	35 10	6 .4		3 17 6		0 9 7 2	
	May 1	34 4	1 .9		3 17 6		0 9 7 2	10,912,680
	July 3	32 10		2 .5	3 17 6		0 9 7 2	11,034,790
	Sept. 1	32 6		3 .5				
	Nov. 3	32 10		2 .5				11,608,670
1796	Jan. 1	32 7		3 .3				10,824,150
	March 1	33 2		1 .5				
	May 3	33 10	0 .4					10,770,200
	July 1	33 7		0 .3	3 17 6		0 9 7 2	9,720,440
	Sept. 2	33 7		0 .3	3 17 6		0 9 7 2	
	Nov. 1	34 7	2 .7		3 17 6		0 9 7 2	9,645,710
1797	Jan. 3	35 6	5 .4					8,640,250
	March 3	34 9	3 .2					
	May 2	36	6 .9		3 17 6		0 9 7 2	11,103,880
	July 4	36 6	8 .4		3 17 6 2		0 9 7 2	10,828,880
	Sept. 1	38	12 .8		3 17 10 2			
	Nov. 3	38	12 .8		3 17 10 2			11,641,400
1798	Jan. 2	38 2	13 .3		3 17 10 2			13,043,480
	March 2	37 5	11 .1		3 17 10 2			
	May 1	37 8	11 .8		3 17 10 2			13,234,440
	July 3	37 10	12 .3		3 17 10 2			12,115,640
	Sept. 4	37 6	11 .3		3 17 10			
	Nov. 2	37 10	12 .3		3 17 9		0 3 2 2	12,441,070
1799	Jan. 1	37 7	11 .6		3 17 9		0 3 2 2	13,202,460
	March 1	37 7	11 .6		3 17 9		0 3 2 2	
	May 3	35 6	5 .4		3 17 9		0 3 2 2	13,720,260
	July 2	36	6 .9		3 17 9		0 3 2 2	13,759,940
	Sept. 3	33 4		1	3 17 9		0 3 2 2	
	Nov. 1	32 6		3 .5				14,006,960

		Hamburgh.	Per centage in favor of London.	Per centage against London.	Price of Standard Gold per oz.	Per centage above its Mint Price	Amount of Bank of England notes in circulation.
1800	Jan. 3	32		5			15,110,060
	March 4	31 4		7			15,213,520
	May 2	32 5		3 .8			15,230,410
	July 1	32 6		3 .5	4 5 0	9 2 11 3	15,450,970
	Sept. 2	32 2		4 .5	4 5 0	9 2 11 3	16,365,206
	Nov. 4	31 10		5 .5	4 5 0	9 2 11 3	
1801	Jan. 2	29 8		11 .9	4 6 0	10 8 8	No account of the Bank notes in circulation appears to have been presented for this year, subsequent to March 25th.
	March 3	31 7		6 .2	4 2 6	5 18 9 1	
	May 1	31 6		6 .5	4 5 0	9 2 11 3	
	July 3	31 6		6 .5			
	Sept. 1	31 7		6 .2			
	Nov. 3	32 6		3 .5			
1802	Jan. 1	32 2		4 .5			
	March 2	32 3		4 .3	4 3 6	7 4 5 2	
	May 4	32 8		3			15,956,016
	July 2	33 3		1 .3			16,747,300
	Sept. 3	33 3		1 .3			16,141,636
	Nov. 2	33 5		0 .8			15,838,410
1803	Jan. 4	34	0 .9				16,101,140
	March 1	34 5	2 .2				16,734,510
	May 3	34 4	1 .9				16,622,510
	July 1	34 4	1 .9				17,931,930
	Sept. 2	32 10		2 .5			17,274,493
	Nov. 1	34 4	1 .9				18,033,383
1804	Jan. 3	34 10	3 .4				17,194,133
	March 2	35	3 .9				16,881,306
	May 1	35 9	6 .1				
	July 3	35 8	5 .9		4 0 0	2 14 6 3	
	Sept. 4	35 10	6 .4		4 0 0	2 14 6 3	
	Nov. 2	35 6	5 .4		4 0 0	2 14 6 3	

			Hamburgh.		Per centage in favor of London.		Per centage against London.	Price of Standard Gold per oz.			Per centage [illegible] its Mint Price.				Amount of Bank of England notes in circulation.
1805	Jan.	1	35	6	5	4		4	0	0	2	14	6	3	18,407,880
	March	1	35	8	5	.9		4	0	0	2	14	6	3	17,367,740
	May	3	35	5	5	.1		4	0	0	2	14	6	3	16,449,020
	July	2	35	8	5	.9		4	0	0	2	14	6	3	16,753,490
	Sept.	3	35	5	5	.1		4	0	0	2	14	6	3	17,293,070
	Nov.	5	32	9			2 .8								17,085,150
1806	Jan.	3	33	3			1 .3								17,281,330
	March	4	34	2	1	.4									17,049,720
	May	2	33	8											16,618,390
	July	1	34	5	2	.2									17,536,400
	Sept.	2	34	4	1	.9									17,748,400
	Nov.	4	33	10	0	.4									16,930,200
1807	Jan.	2	34	8	2	.9									17,573,100
	March	3	34	10	3	.4									17,491,900
	May	1	34	10	3	.4									17,644,670
	July	3	34	3	1	.7									17,466,170
	Sept.	4	34	3	1	.7									17,560,060
	Nov.	6	34	4	1	.9									No account of
1808	Jan.	1	34	4	1	.9									Bank notes in cir-
	March	1	34	6	2	.4									culation was pre-
	May	3	34	9	3	.2									sented subse-
	July	1	35	8	5	.9									quent to this date
	Sept.	2	34	8	2	.9									
	Nov.	1	32	9			2 .8								
1809	Jan.	3	31	3			7 .2								
	March	3	31				8								
	May	2	30	6			9 .5	4	10	0	15	11	4	3	
	July	4	28	6			15 .4	4	11	0	17	1	7	3	
	Sept.	5	29				13 .9	*4	8	0	19	5	2	3	
	Nov.	3	28				16 .9	†4	5	0	15	8	2		

* The Gold quoted this month is doubloons, they are valued in our gold coins at 3l. 13s. per oz.

† Doubloons

abov

J. TYLER, Printer, Rathbone Place.

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AN

INQUIRY

INTO THE

EFFECTS PRODUCED

ON THE

NATIONAL CURRENCY

AND

RATES OF EXCHANGE,

BY THE

BANK RESTRICTION BILL;

EXPLAINING THE CAUSE

OF THE

HIGH PRICE OF BULLION;

WITH PLANS FOR MAINTAINING

THE NATIONAL COINS

IN A STATE OF UNIFORMITY AND PERFECTION.

THE THIRD EDITION,

CORRECTED AND ENLARGED.

With the Tables brought down to April 5, 1811; and some remarks on Mr. Bosanquet's Observations on the Bullion Report.

By ROBERT MUSHET,

OF HIS MAJESTY'S MINT.

London:

PRINTED FOR ROBERT BALDWIN, PATERNOSTER-ROW.

1811.

C. Baldwin, Printer,

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CONTENTS.

AN ENQUIRY,

&c. &c.

CHAPTER I.

On the General Principles of Money.

THE complexity attendant on the study of money is not inherent in the subject, but has arisen, as Sir James Stewart remarks (Book III. Chap. vi.), from the defective information of those who have treated of it. They have been chiefly practical men, whose habits have led them to a view of the money system, in particular stages only, without affording them a comprehensive survey of its origin and progress. They have consequently perplexed themselves, and obscured the study, by a multiplicity of technical words, as well as by theories formed on contracted notions.

The debasements of coin also, to which almost all governments have resorted, have led to a perversion of words from their original meaning, and

have created in our money dialect, an apparent contradiction, which forms no small impediment to an accurate comprehension of the subject.

In order to attain an accurate and distinct notion of the theory of money, it will be necessary to take a view of its origin, and progressive advancement to that state in which it is found in all civilized countries.

In some very simple states of society men are without the use of money; wealth is a name unknown among them; their wants are little more than the suggestions of nature, and these wants are easily supplied. In such states of society, all traffic must be carried on by barter alone. Great inconvenience must have attended the first operations of such a system, from the difficulty of proportioning payments to the commodity purchased. If a man, says a writer in the Edinburgh Review,* wishes to purchase a hatchet, but has only a sheep to dispose of, which is worth six hatchets, he knows not how to accomplish his purpose. The man who has the hatchet to sell wants not to purchase a sheep, but a cloak; while the man who has the cloak to dispose of has no occasion for a hatchet, but for some other commodity. In such circumstances it becomes a matter of expediency for every man to provide himself, if possible, with more or less of that commodity which most people will be willing to purchase, and with which he can most readily com-

* Edinburgh Review, vol. 13, p. 47. It is, indeed, requisite to state, that the whole of this chapter is principally taken from the article in that work to which the reference above is made.

mand the various articles for which he may have occasion.

In some states of society this commodity is cattle. "The armour of Diomede," says Homer, "cost only nine oxen; but that of Glaucus cost a hundred." In some parts of the coast of India, shells are said to be the medium of exchange, and on the sea coast of Africa iron at present is made use of for that purpose.

But in the progress of society towards civilization, the inconvenience of such traffic was severely felt; and no doubt, after various trials of other commodities, the course of affairs led to the use of the precious metals, as the commodity for which most people would be willing to exchange the articles of which they had to dispose. Gold and silver, therefore, are the commodities which every man at last purchases with the articles which he has to dispose of, knowing that he can most conveniently exchange them again in such proportions as he pleases, for the other goods that he may want.

When the precious metals were first used, they were in the rude and unfashioned state of bars, and were bought and sold, in the different exchanges, by weight, like any other commodity.

In time, however, it was found, that these metals might be adulterated, and the means of detection were not very obvious or easy. An expedient is devised. The governors of the community agree to fix a mark upon certain pieces of those metals which they have *proved*, and the people will not receive any pieces, but those on which that mark is found. These

pieces accordingly—these bars or ingots, they purchase with the goods they have to sell, and offer these bars again in sale for such goods as they wish to purchase. Still, however, considerable inconvenience exists. Those bars have often to be divided, and always to be weighed; and this is very troublesome. The government again extends its services. It agrees to fix a mark which shall indicate both the fineness of the metal, and its weight; and to fix it on such pieces of various weights, as shall most effectually answer all the conveniences of purchasers.

This is now the coined money of civilized society; and it will appear abundantly evident, that there is nothing in all this which alters the nature of the metal, so coined, from that of a commodity. If it were a commodity bought and sold for its mere value, when it was rude bullion, it surely cannot be any thing else for the stamp, which is only intended to declare its quantity and quality.*

From this it will follow, that gold and silver are commodities, whose values are determined, like that of all other commodities, by the demand for them; and that gold and silver, in coin, are nothing more

* Consistently with this principle, the denominations of coin in this, as well as in other countries, were denominations of weight; a penny being originally (Reign of Edward I.) a pennyweight of silver; a pound, a pound weight of silver; and a shilling, a weight making the twentieth part of a pound.—Now, it will appear evident that, when an individual goes to market to purchase the commodity that he wants, he exchanges a given quantity of pennyweights of silver of an ascertained purity, as the equivalent of that commodity. It is an exchange of value for value.

or less than bullion in such convenient shapes as to facilitate all exchanges in civilized society.

Had a pound in silver coin remained equivalent to a pound weight of silver, our ancestors would not have been perplexed with the difference between mint and market price; nor the country subjected to the heavy expense of coinage, necessitated by their misapprehensions.

CHAPTER II.

On the Connection between coined and paper Money.

HAVING seen that coins are commodities, which are bought and sold in the market for their value, like other commodities—it will follow, that Bank notes are an obligation upon the issuers to pay a certain quantity of those coins, or commodities; and these obligations are also bought and sold for their value, or that quantity of coin which they specify. Nothing can be more simple than this; nor can it be conceived possible that a community would take in payment notes of Bankers which possess no intrinsic value, if they were not payable in something that possessed value to the amount expressed in the body of the note. With us the notes of Bankers are payable in gold or silver. Hence every individual in the community accepts of such notes, upon the faith of their receiving on demand a certain quantity of gold or silver, as therein specified.

Another, and a very different species of paper money consists of notes, like the French assignats, forced into circulation by the authority of government, and containing no obligation on the issuer to pay in coin. The value of this kind of paper money

is of course very doubtful; while the value of the former can undergo no diminution, so long as the obligation to pay in coin continues to be fulfilled.

In this country we are, happily, but little acquainted with such government paper.

CHAPTER III.

General Principles of Exchange,—fluctuations in the par confined to the expense of transmitting the precious metals from one country to another.

THE par of exchange between different countries is determined by a comparison of the intrinsic value of their respective currencies; for instance we say, 34 11¼* thirty-four schillings, eleven grotes and a quarter, are the par between Hamburgh and London; because 34 schillings, 11 grotes and a ¼ contain a quantity of pure silver equal to the pure silver contained in twenty of our standard shillings. Again, in the case of Ireland, the currency of that country is inferior to ours by 8⅓ per cent.; hence £108 6 8, Irish, is the equivalent at par of £100 British.

It is evident that if the currency of a country undergo alterations, its exchange with other countries will vary in proportion to these alterations. Let us first examine the rate of exchange, considered

* Upon enquiry upon change, I have ascertained from respectable authority, that 34, 11¼ are the real par between Hamburgh and London, and not 33, 8. as was stated in the first edition of this work.

It appears by the table of the intrinsic par of Exchange presented by Dr. Kelly to the Bullion Committee, that the real par with Hamburgh is 35. 1 making a difference, from 34. 11¼ of about ⅜ per cent.

without reference to alterations in currency. It is affected by the balance of mercantile transactions. If at Amsterdam, for example, a larger sum than usual is required for remittance to England, the brisk demand for bills creates a rise in the rate of exchange, a rise greater or smaller, according to the demand;—this rise may continue progressive for weeks, yet it has a natural limit, beyond which in a free state of trade, it cannot go—namely, the expense of transmitting the precious metals to England. The contract on the part of a buyer of goods is to pay a certain sum in specie, or in the equivalent of specie; now the price of specie is, in fact, nearly equal all over the world; and when the buyer finds for his creditor specie, instead of bills of exchange, he equally fulfils his contract.

The expense of transmitting gold from London to Hamburgh, or *vice versâ*, was in 1797, according to the evidence of Mr. Eliason (an eminent continental merchant), before the committee of secrecy, £3 12 11 per cent. In a state, therefore, of peace and unrestrained intercourse, the rate of exchange between England and Hamburgh could not, for any length of time, greatly exceed that rate, either on the one side of the water or the other.

In regard to Ireland, it appeared by evidence before the committee, on Irish exchange in 1804, that the expense of transmitting £100 in cash, from Dublin to London, or *vice versâ*, was between one and one and a half per cent, and the statement of Mr. Foster (Essays, p. 175) affords a remarkable confirmation of the rule laid down in the preceding

paragraph; for he informs us, that in the long interval from 1728, to 1797, the exchange never rose beyond the expense of sending gold from one country to the other, except under the temporary, and very peculiar circumstances of the year 1753.

It has, however, been contended, that in time an unfavourable balance of debt might exhaust a country of its gold, and then the rate of exchange would be regulated in exact proportion to the balance of debt; it is, however, generally admitted, that an unfavourable balance of debt has no such effect, that its tendency is to force exports, and diminish imports; but neither to raise the exchange indefinitely, nor yet to exhaust the country of its circulating medium. For this reason, an unfavourable balance of debt produces an unfavourable rate of exchange; and while this rate is less than the expense of transmitting gold, the debts of a country may be discharged through the medium of bills of exchange. When the exchange rises to the full amount of sending gold from one country to another, it necessarily stops there, as every person who has a debt to discharge would rather send gold, than pay a premium for a bill, surpassing the expense of sending gold. This exportation of gold causes a diminution of it in the country so exporting, and what remains must acquire a superior value from its scarcity. Consequently, the price of commodities must be diminished in proportion to the diminution of the circulating medium, and their cheapness has a natural tendency to force exportation. On the other hand, the country thus receiving the balance of debt must have

a redundant quantity of gold; its value must diminish; and the price of commodities will rise; which high price will cause a diminution of exports, as a country cannot sell so much of a dear, as of a cheap commodity. The low price of gold, also, will attract the cheap commodities of that country which had parted with a quantity of its circulating medium. These imports being exchanged for gold, increase the exports of the one country, and diminish the exports of the other, or increase the exports of the one country, and the imports of the other.

To render this more apparent, let it be supposed, that the whole circulation of England consisted of ten millions of gold, and that Ireland possessed the same amount; and, in the course of commercial transactions between the two countries, that Ireland became indebted to England one million sterling, which debt could not be discharged, but by Ireland remitting to England, in gold, this amount; it will be evident, that if Ireland export one million of her circulating medium, while the produce of her land and labour remains the same, that the nine millions which remain will represent the same quantity of commodities that ten millions did before this debt was paid; and, consequently, the price of Irish commodities will fall in their value, in proportion to the diminution of the circulating medium. Their cheapness will give rise to exportation. England having added one million of gold more to her circulating medium, eleven millions will represent the same quantity of commodities as ten did formerly; this importation of gold will enhance the value of all

English commodities in a correspondent proportion to its increase, which will consequently discourage their exportation. The cheap commodities, however, of Ireland, the cheapness of which forces their exportation, will come to England to be exchanged, not for English commodities which are dear, but for the redundant quantity of circulating medium which is cheap; and this necessarily diminishes the export of English, and increases the import of Irish commodities, till such time as the level of the circulating medium of each country is restored. And if this principle governs the balance of debt between England and Ireland, it will also govern it in all their commercial transactions with the rest of the world.

The conclusion, therefore, at which we arrive is, that whatever may be the temporary and limited effect of mercantile transactions on the rate of exchange, the permanent and great variations from par are caused by the altered value of the circulating medium.

CHAPTER IV.

On the Effects produced on the rates of Exchange by a debased currency.

I HAVE already stated, that when the par of exchange has been fixed between two countries, the rate of exchange will vary in proportion to the variation in the value of the currency of either country; if, for instance, the legislature of this country debased the standard of our gold currency five per cent. while that of Hamburgh remained stationary, it would follow, that the pure gold contained in our pound sterling would no longer be worth thirty-four schillings, eleven grotes and a quarter, but would only be worth a smaller proportion of Hamburgh currency. The diminution would be equal to the debasement in the British currency; the rate of exchange, in consequence, would nominally be five per cent. against England.

Similar effects would be produced on the rates of exchange, if the currency of this country became debased from a deficiency of weight; as the rate of exchange is always calculated, not according to what the currency contains, but what it ought to contain; the rate, therefore, will be in the exact proportion to the deficiency in the value of the currency. The history of commerce abounds with examples of this.

Previous to the re-coinage in King William's reign, our silver coin was twenty-five per cent. below standard, and our exchange with Holland was twenty-five per cent. against us. Before the reformation of our gold currency, in 1774, the exchange with France was computed to be three per cent. against us, the French coins being much less worn than ours. Since 1774, the exchange has been against France, and in our favour. In the same manner, before that reformation, the exchange was generally against us with Amsterdam, Hamburgh, Venice; but since the reformation, it has generally been in our favour.*

A recent instance of the effects of degraded currency on exchange, has been afforded by the barbarous policy of the Turkish government. They have made three great adulterations of their coin; the first in 1770; the second in 1787; and the third in 1796. Before these frauds, the Turkish piastre contained nearly as much silver as our half-crown; and, in exchange, the common computation was eight piastres to the pound sterling. The consequence of these repeated adulterations has been a reduction of the silver in the piastre to one half, and a fall in the exchange of one hundred per cent.; bills on London having been bought, in 1803, at sixteen piastres to the pound sterling.†

In this country an unfavourable exchange, caused by a debased currency, has been accompanied with a high market price of bullion. In the case of the

* Wealth of Nations, vol. 2. p. 273—5.

† Foster's Essays on Commercial Exchange, p. 94.

silver currency in King William's time, the price of silver rose to 6s. 5d. per ounce, as stated by Mr. Lowndes. In the case of the gold coins, previous to their reformation, the market price of gold, on an average of 16 years, was £3 19 2¾ per ounce. When the currency was reformed, the exchange fell to par, and the market price of bullion fell to its mint price.

It would seem, therefore, that a currency debased, either by adulteration, or by a deficiency of weight in the coins, may cause the exchange to be permanently unfavourable to a country; a circumstance which can only be remedied by a reformation of the circulating medium, and does not in the least degree depend on the balance of debt; as the exchange depending on the balance of debt can at no time exceed the amount of transmitting the precious metals from one country to another.

CHAPTER V.

Bank Restriction Bill—its general effects—high price of bullion—of commodities—the depreciation of currency—unfavourable exchange with foreign countries.

As the unexpected continuance of the present system of the Bank of England has been attended with effects which appear to have excited considerable surprise and attention, it is of some importance to show in what manner they have taken place; and in so doing it will be proper to consider the state of the gold currency from 1760 to 1797, and from 1797 to 1810.

On the accession of his present Majesty to the throne, the gold coins of this country were in a very debased state. Their deficiency in weight increased so rapidly, that, in the year 1773, the government found it necessary to take the subject into consideration; the result of which was, the recalling of all the light coins from circulation, which were re-coined in the years 1774, 5, 6, and 7. From this period the gold coins were in a state of great perfection, and were maintained in this state by frequent new issues from the mint.

It is a fact worthy of particular notice, that for several years before the reformation of the gold coins, the market price of gold was considerably

higher than its mint price. From 1557 to 1773, a period of sixteen years, its average price was £3 19 2¾ per ounce. But immediately after the re-coinage in 1774, the market price of bullion fell below the mint price; and, during a period of twenty years, from 1777 to 1797, the average price paid by the Bank Directors for gold, was only £3 17 7¾, which is 2¾d. under the mint price.

From this fact the conclusion cannot be considered doubtful, that the high price of gold bullion was occasioned by the defective state of the gold coins; that £3 19 2¾ of these coins did not contain more than an ounce of standard gold; consequently, it would not exchange for its nominal value, but according to the quantity of standard gold which it contained. And this fact is fully proved by the reformation of the coins. When every £3 17 10½ contained an ounce of gold, the market price of gold immediately fell to its mint price; an ounce of standard gold bullion could be readily obtained for £3 17 10½ in coins.

During the above mentioned period of the defective state of our gold coins, Lord Liverpool states, that foreign exchanges were very much influenced to our disadvantage, and this circumstance was one of the principal causes which induced the government to reform the coins.

Lord Liverpool states another fact worthy of notice, that during the period already mentioned of the defective state of the gold coins, the price of silver was influenced by their deficient, or perfect state. From 1757 to 1773, the average price

which the Bank Directors paid for dollars, was $64\frac{5}{8}$d. per ounce, equal to $66\frac{5}{8}$d. for standard silver. But immediately after the re-coinage of the gold coins, the price of dollars fell, so that, on an average of twenty-four years, ending 1797, the Bank Directors have paid for dollars $61\frac{1}{4}$d. per oz. equal to $63\frac{1}{4}$d. per oz. for standard silver, and less than the average price for sixteen years previous to the re-coinage by $3\frac{3}{8}$d. per ounce, or $5\frac{35}{533}$ per cent.

From these facts, it would appear of very considerable consequence to keep the gold coins in a state of the greatest possible perfection. By neglecting to do so, the exchange with foreign countries becomes against us. We have a rise in the price of gold; the new and heavy coins are selected from the light and debased, and exported for the profit attending the high market price of bullion. The price of all commodities rises in proportion. The price of silver is also raised, which, with a currency somewhat assimilated to the perfection of our gold coins, would hold out a considerable temptation to melt, and export it; and this is now prevented only by the very debased state of the silver currency.

I come now to consider the state of the currency since 1797, the year in which the Bank suspended payment. The causes which led to this memorable crisis in our pecuniary affairs, have already occupied a great share of the public attention; I will, therefore, proceed to the consideration of the effects that have followed.

It is generally admitted, that the value of a commodity depends greatly on its scarcity or plenty.

Now there has been, within these twelve years, a remarkable increase in our amount of Bank notes. For several years before 1797, the amount of them in circulation did not exceed eleven millions, and bullion was cheap, being £3 17 7 per ounce. But after 1797, the amount of Bank notes was progressively increased, and as soon as this increase became considerable, the price of bullion rose.

	Notes in circulation.	Price of gold bullion.
On 25th Dec. 1797 there were	£11,641,400	3 17 6
1798	12,708,657	3 17 6
1799	13,672,405	3 17 6
1800	15,251,240	4 5 0

The tables in the Appendix contain the quantity of notes, and price of bullion for the remaining years, and concur to show, that the rise of bullion has been consequent on the increase of notes. Bullion has never since 1800 been below £4, and it was lately so high as £4 13.

In further illustrating the subject on the high price of gold, it is of consequence to remark, that when silver was the money in which all bargains were concluded, the course of exchange for or against this country, was in proportion to the defective or perfect state of the currency, and this unfavourable exchange was accompanied with a high market price of silver bullion. Previous to the re-coinage of King William III. the exchange was as much as twenty-five per cent. against this country, and the market price of silver was 6s. 5d. per ounce. Foreigners considered the silver coins as

the principal measure of property, and rated their exchanges accordingly. In 1717, the gold coins of this country were, by proclamation, declared legal tender, at the rate of twenty-one shillings to a guinea; and since that period, no such unfavourable exchange has taken place, although the silver coins were, and still continue, in a very defective state. Before the year 1717 the guinea was current for 21s. 6d., but when reduced to 21s. it was still so much over rated at the mint, in respect to silver, as to render it the standard of our money. Accordingly we find, that the course of exchange was considerably affected to our disadvantage, in consequence of the defective state of the gold currency, previous to its reformation in 1774. With this unfavourable exchange, we had a rise in the price of gold; on the reformation of the coins, however, we had a fall in the rate of exchange, and also in the market price of bullion, as has been already stated.

In these two instances, the defective state of the currency acted on the price of all commodities in the same manner as an increase of gold and silver would have done; it was like increasing the nominal amount of pounds sterling in circulation. Let us suppose that they were increased one-fourth, as in the case of the silver coins, while the quantity of commodities remained the same, or nearly the same; does it not follow, that the price of all commodities would be augmented in a similar ratio? That the consequences here stated actually followed the defective state of the silver currency, will appear from Mr. Lowndes' report to the Lords of the Treasury,

of the 12th Sept. 1695; in which he states, "that great contentions daily arose in all fairs, markets, shops, and other places throughout the kingdom, to the disturbance of the public peace, in consequence of the defective state of the silver coins; that trade in general was on that account greatly lessened; that persons before they concluded any bargains, were under the necessity of settling the price, or value of the very money they were to receive for their goods; and that they set a price on them accordingly; that these practices had been one great cause of raising the price, not only of all merchandises, but of every article necessary for the sustenance of the people; that the receipt and collection of the public taxes, revenues, and debts, were greatly retarded." P. 115.

In 1797, when Bank of England notes were declared a legal tender, at the rate of twenty shillings to the pound, for such I conceive to be the spirit of the Restriction Bill, there was no longer any restraint on the Bank Directors in the emission of their notes. Previous to this period, they were perfectly aware that, if they issued their notes to excess, a rise in the price of gold would be the consequence, and that these notes would be returned to them to be exchanged for guineas, which would be melted down, and exported at the advanced market price. When the excess of their notes was thus withdrawn from circulation, the market price of gold fell to its mint price. This check alone was always sufficient to prevent, for any considerable time, an excess of Bank notes: and in the remon-

strances of the Bank Directors with Mr. Pitt, on the subject of advances to government, sufficient evidence is adduced to show, how well aware they were of the inconvenience of that excess. The evidence of Mr. Giles, the Governor of the Bank, before the Committee of Secrecy, tends also to the same conviction, as does the evidence at large.*

Since, however, the Bank Directors have been liberated from all restraint in the issue of their notes; if they increase them in an undue proportion to the whole produce of the land, and labour of the country, in which they are circulated, does it not follow, that this increase of money will operate, in a similar manner, on the price of all commodities, as the discovery of a gold or silver mine would do? The effects of the discovery of the American mines are in the recollection of every one. Silver, compared to commodities, became cheap from so great an increase, and the money price of all commodities was enhanced. If, therefore, the Bank of England has issued notes to such an excess as to raise the money price of all commodities, it is no difficult matter to account for the very high price of gold, which is bought and sold in the market like any other commodity. Gold can no longer be said to be the principal measure of property in the country; and the transfer which I mentioned, as having taken place from the silver to the gold, on the latter being declared a legal tender, seems to have taken place in respect to Bank notes. Hence the money price

* See Report of that Committee.

of gold in Bank notes has been of late £4 13 per ounce, and, from the great increase of Bank notes, the amount of the nominal pound sterling has been increased in the country; and the whole produce of the land and labour having continued the same, or having not increased in the same proportion, the price of all commodities has risen in proportion to this increased quantity of money. I have already proved, that when the defective state of the silver coins, previous to the re-coinage of King William III. increased the nominal amount of pounds sterling in the country, the price of silver bullion, and all other commodities rated in silver, rose in proportion to the increase of money. Now the very same thing has happened with respect to gold, and all other commodities, whose prices are rated in Bank of England notes. Having increased in an undue proportion to the whole produce of the land and labour of the country, these notes have become depreciated, and the same nominal amount will not command the same quantity of the necessaries and conveniences of life.

To render this subject still more simple, let us suppose the whole circulation of the Bank of England to consist of ten millions of gold; and that they possessed a piece of ground, in which they discovered a gold mine, which enabled them to add, in a period of ten years, five millions more to the money in circulation; and let us suppose also, that the produce of the country is not rapidly advancing or declining: would the value of gold, and all other commodities rated in gold, be the same to-

day as they were ten years ago, the day previous to the discovery of the gold mine?—No, surely.—The money price of all commodities rated in gold would rise in price, in proportion to its increased quantity.

However much the value of gold might be increased or diminished, yet its price would remain unaltered. If the ounce of standard gold were coined into £3 17 10½ of gold coins, the price of that ounce would be precisely £3 17 10½. It could never exceed, and could never fall below that price; and if the ounce of gold were coined into £5, the price of that ounce would be precisely £5. The standard or mint price of gold is invariable in its name or denomination, though not in its value.

Let us suppose again, that the circulation of the Bank of England consisted of ten millions of gold, and from a wish to save the expense of maintaining the whole of this metallic currency in a state of perfection, they issue Bank notes, which they find considerably cheaper; and that upon the faith of these Bank notes being exchanged for gold when demanded, the community accept of them the same as if they were in reality pieces of coined money. Let us suppose further, that by an act of the Legislature, the Bank is liberated from the obligation of exchanging her notes for gold when demanded. All restraints on her issues immediately cease to exist: she may, as in the first supposition, add five millions of notes to those in circulation, in a period of five or ten years; the community continuing to receive them, either from necessity, or from a

confidence that the Bank, at some future period, not very far remote, will give to the holders of these notes, gold to the amount therein specified in exchange. Now, the reality of this supposition has been verified in the transactions of the Bank within these last thirteen years. In 1797, the Legislature liberated the Bank of England from the obligation of paying her notes in gold when demanded; the consequence has been, that the average amount of her notes in circulation has increased from 10 to 21 millions. And while the community accept of these notes on the faith of the Bank being able some day to give gold in exchange for them, there can be no difference in the effects arising from this increase of money, whether it consist in the notes of Bankers, or in an increase of gold. In confirmation of this fact, it is only necessary to state, that Bank of England notes do not circulate out of the Island of Great Britain, and that any increase of them, while the public confidence, and the produce of the land and labour remain the same, must operate on the price of all commodities in the same degree, that an increase of the precious metals would do, and with this increased security, that the precious metals might find their way out of our island, and from scarcity become more valuable, while the paper money, from its possessing no intrinsic value, is sure to remain at home, and produce all the effects which are here attributed to it. And if the Bank is allowed to retain her present monopoly for thirteen years longer, and increase the issue of her notes to twenty-seven or

thirty millions, the price of gold, and every other commodity, will experience a proportionate rise in price. Allowing that Bank of England notes are competent to supply the place of guineas in our currency, a great difficulty, however, arises in proportioning their number to the demands or necessities of the country—while it is the interest of the Bank to lend, they will find borrowers even beyond the necessities of the community, and as all restraint is now taken off the Bank Directors, they have increased the issues of their notes beyond all former precedent; nor is it natural to suppose, that they will diminish the quantity of their notes in circulation, seeing it is not their interest, until they are obliged to do so. Let the check be restored, therefore, which formerly regulated the Bank in the issue of her notes. This check was the obligation to pay them in cash.

Some have supposed, that the Bank cannot increase the issue of her notes to any improper length; for, say they, the rate of interest, which is regulated by the scarcity or abundance of money, will be a proof of there not being too much money in circulation, if the rate of interest remain stationary. The fallacy of this doctrine has been distinctly proved by Mr. Hume, in his Essay on Interest, and by Dr. Smith, who has also proved, that the rate of interest for money is regulated by the rate of profits on that part of capital which does not consist in circulating medium; and that those profits are not regulated by, but are wholly independent of, the greater or smaller quantity of money, which may

be employed for the purpose of circulation; that the increase of circulating medium will increase the prices of all commodities; but will not lower the rate of interest.—Wealth of Nations, vol. ii. book ii. chap. iv.

CHAPTER VI.

Bank Restriction Bill—its particular effects—injury or injustice to annuitants and others—debasement of the national currency—Country Banks not the cause of these evils.

The depreciation of money which has followed in consequence of the Bank Restriction Bill, bears particularly hard on all annuitants, and that large class of individuals, whose sole dependence is placed on a fixed income; those persons have the value of their revenue diminished to the whole amount of the depreciation on the currency, which appears from the tables in the Appendix to be about 16 per cent. so that £84 per annum before the Restriction Bill passed, could command the same quantity of the necessaries of life as £100 would at the present day, if no other cause whatever had acted upon the price of commodities.* It seems an unheard of evil, that the Bank of England should possess the power of diminishing, *at her pleasure*, the value of all the monied interest in the kingdom!

* That money has depreciated more than 16 per cent. since 1797, I believe, is generally allowed; but the depreciation which I here mention, as having taken place in the currency of the country, is very different from that caused by taxation. We have the misfortune, however, to suffer under both evils!

Every contract made during the present system of the Bank of England must be founded in injustice, as will appear, if we suppose, for example, that a farmer leases a farm of his landlord at the rate of £100 per annum, which rent the farmer is induced to give from the general high market price of all species of grain, which he supposes will continue and enable him to pay his rent. He finds, however, that the Bank is obliged to resume payments in cash, from which circumstance a fall of £16 per cent. takes place in the price of the whole produce of his farm.—It is unnecessary to relate the distressing consequences to the poor farmer.

Another evil, resulting from the continuance of the Restriction Bill, is the debasement which must necessarily take place in the gold currency from constant circulation, and from few new coins being issued to supply the place of those that become deficient in weight, which, according to the King's proclamation, are not a legal tender below a certain weight; (the guinea for example, is not a legal tender, when it weighs less than five penny-weights and eight grains;) also, from the tendency which Bank notes have to force the gold coins out of circulation: circumstances which on the repeal of the Restriction Bill might subject the country to the expense of a general re-coinage of all the gold monies.

I have already stated, that for 16 years previous to the re-coinage of gold, the market-price of that metal averaged £3 19 $2\frac{3}{4}$ per ounce. £3 19 $2\frac{3}{4}$ of the gold coins then in circulation did not weigh more

than an ounce, being a deficiency of £1 14 6½ per cent. The gold coins, now in circulation, are rapidly advancing to this state of debasement: according to the last experiments made by the officers of his Majesty's mint, and laid before the committee of council for coin, in 1807, the guineas were debased by a deficiency in weight £1 3 4 per cent. being £0 11 2½ per cent. less than the average debasement for 16 years previous to the re-coinage. On the average of guineas and half-guineas, the debasement by a deficiency in weight was £1 12 11½ per cent. being only £0 1 7 per cent. less than before the re-coinage. On the average of the guinea, half-guinea, and seven shillings piece, the debasement, by weight, was £1 7 8¼, being only £0 6 10¼ per cent. less than before the re-coinage: and it is probable, that by this time, the debasement of the gold currency is fully equal to what it was before its reformation in 1774.

If the Restriction Bill were just now repealed, it must be expected that the market-price of gold will not fall to its mint price, because of the deficiency in the weight of the coins: it required on an average of all species of gold coins in circulation, in 1807, about £3 18 11¼ to weigh an ounce. The market-price of gold, (according to the principles to be laid down in the eighth chapter,) would be precisely £3 18 11¼.

Since the Restriction Bill passed, little attention has been paid to the state of the gold currency—no guineas have been coined since 1799: several small coinages of half-guineas and seven shillings pieces

have been executed; these, however, have only enabled the Bank to answer the demands on her for change in transacting the public business, and have not been able to prevent the debasement of the currency.

The gold coins now in circulation are deficient to a greater extent than allowed by proclamation; and if this proclamation is enforced, the public at large will refuse the light coins, as they did previous to 1797. If it is suspended, the new guineas as issued from the mint will be melted and sold for the high market-price of bullion, caused by the debasement of the coins; a succession of the same evils which existed previous to 1774, would be the consequence of such a measure; a general re-coinage is therefore forced upon the country, to avoid other evils ultimately as expensive. The expense of the re-coinage in 1774, amounted to about £750,000. A repetition of this expense seems unavoidable; so that in whatever point of view the Restriction Bill is considered, it is fraught with oppression to the whole body of the people.

It has been supposed by some, that every increase of Bank notes drove an equal amount of gold coin out of circulation. For example, if the Bank of England increased her notes from ten to twelve millions, the two millions of additional paper forced two millions of gold coins out of circulation. This, however, does not appear to be the case; for if the paper money thus increased had only supplied the place of gold, there would have been no rise in the price of gold, as there would have been no more

notes in circulation, than there would have been gold had no notes been used. There would have been no excess of currency. For several years previous to the Restriction Bill, the average amount of Bank notes was about eleven millions. Since the restriction, they have increased to upwards of 21 millions; if these 10 millions of Bank notes had displaced an equal amount of coin, we should have experienced no rise in the price of gold. If we could ascertain what increase of Bank notes it would require to raise the price of gold 20 per cent. above its mint price, we could exactly determine the amount of the gold coin forced out of circulation; having no means to ascertain this fact positively, its place can only be supplied by conjecture.

We may suppose, that the whole produce of the land and labour of this country is nearly the same now, as it was in 1797, and the calamities of war will perhaps admit the supposition of but a small increase: at the same time that, whatever this increase may be, the improved methods of banking now adopted may render about the same quantity of circulating medium necessary, as in the former period. If it be allowed, that an increase of circulating medium of one-fifth raises the price of gold, and of all commodities, 20 per cent. it would follow, that if two millions and one-fifth were added to the 11 millions in circulation, being one-fifth of that sum, that the price of commodities would be augmented 20 per cent. We find, however, that 10 millions have been added to the Bank notes in circulation, so that these 10 millions have only dis-

placed 7 millions and four-fifths of a million of gold coin, leaving thereby a permanent excess of currency of £2,200,000. Though this statement does not determine exactly the point in question, it gives an idea of the matter somewhat approaching to truth; and it would appear, that if the Bank Directors diminished the amount of their notes to about 18 millions, the market-price of gold would fall as near to the mint price as the debased state of the coins would permit; while, however, the present system is continued, the evil of a debased currency must be increased, and must render it both more difficult, and more expensive, to return to the old system of rendering Bank of England notes payable on demand.

Since the first edition of this work was published, it has become a very general opinion, that the country Banks are the cause of all the evils which we have attributed to the Bank of England. As this is a question of great interest to the prosperity of the country at large, it may not be unnecessary to explain the nature of the connection existing between the Bank of England and the Country Banks.

After the suspension of cash payments at the Bank of England, it was deemed necessary for the security of the country, to render the notes of Country Bankers payable in those of the Bank of England; this obligation was a check upon the issues of the Country Banks; they could only increase their notes as the Bank of England increased

her notes. If the Bank of England diminished the amount of her notes, the Country Banks, if they understood their own interest, must have immediately followed her example. If the Country Bankers did not diminish the amount of their notes, as the Bank of England diminished hers, they would be liable to the inconvenience and danger of a run, caused by their mutual and unceasing competition; and if these Banks have not Bank of England notes to answer all demands, they must necessarily stop payment: it is their interest to avoid this crisis. It may be asked, how are the Country Bankers to know when the Bank of England is diminishing her notes? To this it may be answered, by the difficulty their London correspondents find in getting discounts at the Bank of England, of which they are apprised.

It will appear, therefore, that this obligation on the Country Bankers to pay in Bank of England notes, must operate on their issues in a similar manner to an obligation to pay in cash.

This dependence of the Country Banks on the pleasure of the Bank of England can be further simplified and explained, by stating the natural consequence of an over-issue of notes by the Bank of England.

Let it be supposed, that the Bank of England has made an over-issue of notes, say one million. Bank of England notes do not in general circulate many miles from London; in the district, therefore, in which this over-issue has been made, a rise will take place in the price of commodities, and will be

proportionate to the increase of money. In the country, however, where no such increase has taken place, the price of commodities will have experienced no rise in price; the high money price of commodities in London, however, will tempt the commodities of the country to come to the London market for the advantage of the high price; in the country a scarcity will be experienced, and a consequent rise in price; this increased price, however, cannot be paid without an increase of money. Money will be demanded, and, as it is the interest of the Country Bankers to lend, the void will be supplied; and the high price of commodities, caused by this over-issue, will become general, and not local.

It would, therefore, appear, that Country Banks can only increase the evil of an excessive paper circulation, by the latitude which is given to them, or rather the necessity which is imposed upon them, by the Bank of England. By an over-issue of the Bank of England to-day, she creates a demand upon the Country Bankers for a similar and correspondent issue to-morrow or next day. On the other hand, if after such over-issue the Bank of England found it her interest or necessity to withdraw a considerable quantity of her notes, the act might be attended with the failure of almost any number of Country Banks; they would be unexpectedly deprived of the means of upholding their credit, their notes being payable in those of the Bank of England.

Such is the precarious and dependant situation of

our Country Banks, as connected with the Bank of England; the extensive advantages derived from those Banks render it desirable that their security should be increased, and that they should be entirely independent of the Bank of England; for, without imputing any improper motives to the conductors of that concern, political circumstances alone might compel them to such a sudden diminution of their notes, as might produce the calamitous circumstances here ascribed to be within the limits of their present uncontrolled powers.

CHAPTER VI.

On the Effects produced on the rates of Exchange by a depreciated currency.

THE currency of a country is said to be depreciated when a given quantity of it will no longer exchange for a like quantity of that of another country; for example, if the circulating medium of England was reduced in value $\frac{1}{10}$th below its standard and recognised level, while that of Hamburgh remained stationary, the pound sterling of England would not exchange for 34 schillings, 11 grotes and a $\frac{1}{3}$ of Hamburgh money, but for $\frac{1}{10}$th less. The depreciation of English money would in this case be ten per cent.; and it is evident, that the rate of exchange would be also ten per cent. against England. But from the doctrine already advanced, it would appear, that a currency of gold and silver only, or of gold and silver and paper, the latter convertible into the former at the option of the holders, could never, abstracting from debasement, be depreciated; for the rapidity with which the precious metals retire from a cheap in quest of a dear market, would always take the surplus quantity out of the country; and whatever excess and depreciation we have in our currency has a direct tendency to raise the value of the precious metals in other countries in a similar

ratio. The price of commodities compared to the gold and silver will be cheap, which will encourage exports to bring home the quantity of bullion necessary to restore the general level of those commodities.

The depreciation of currency here described, is different from that species of depreciation, which the precious metals are subject to from the discovery of new mines, or an accumulation of gold and silver from those already known. In this latter case, while the precious metals may be depreciated to an indefinite extent, the currency of any one country cannot undergo a greater permanent depreciation than another, from the tendency which the precious metals have to seek the best market. Hence in all ages, it has been found impossible for any country to retain more gold and silver than the demands of that country required.

We must, therefore, seek the cause of a depreciation of currency, consisting of gold and silver and paper, the latter convertible into the former, in something else than mere excess, as any depreciation caused by such excess must be a very temporary evil, and from the very nature of things is daily working its own remedy.

Since the Bank Restriction Bill took place, it has generally been supposed, that the excessive quantity of Bank notes in circulation has caused a considerable depreciation in their value. The sign of this excess and depreciation has been a permanently unfavorable exchange, and a high market price of

bullion, which never had taken place in this country while Bank notes were payable in gold on demand.

When the Directors of the Bank of England were obliged to give gold for their notes on demand,* their quantity never could exceed the quantity of gold and silver, that would have circulated in their place, had there been no Bank notes; but if they issued their notes to excess, it appeared immediately in the high price of bullion, and the unfavourable exchange. The price of gold was no longer rated in gold, otherwise it could not in the entire state of the gold coin have exceeded £3 17 10½ per ounce: but its price in Bank notes varied in

* Mr. Bosanquet, in his Observations upon the Bullion Report, has in several instances mentioned the circumstance of the Bank being obliged to provide guineas for the holders of her notes at the mint price of gold, even though she was obliged to pay more in the market for the gold of which such guineas were made. Mr. Bosanquet having stated that the Bank was *compelled* to do so, this must have a tendency to impress the public mind that there was something peculiarly harsh and unreasonable in the obligation. But Mr. Bosanquet must be aware, that any such impression is directly inconsistent with matter of fact. If the Bank had never issued a note, and there are many such Banks, would she not have felt obliged to the public to take her guineas on loan? That she would, I think will not be disputed. But who or what obliges the Bank to issue any notes; is it not her own interest? and in proportion as her interest is advanced, must she not also feel obliged to the public to take her notes on loan in place of guineas. But who would say, if they wished to speak accurately, that a Bank in such circumstances is *compelled* to provide gold above its mint price.

To believe Mr. Bosanquet's statements in their literal meaning, would be to admit that the Governor and Directors of the Bank managed the interests of their constituents under a system of compulsion. To promulgate such a doctrine would not entitle a man to many proselytes.

proportion to the amount of notes in circulation. Bank notes, not gold, for the time, became the principal measure of property, in which the price of all commodities was rated. Gold accordingly, as in Bank notes, was sometimes £3 18 and £4 per ounce. It will, however, appear evident, that while these notes were convertible into gold at pleasure, the dealers in bullion would take these to the Bank, and exchange every £3 17 10½ for an ounce of gold coin, which, if melted and sold at the then market price, would make a considerable profit by so doing. But the excess of Bank notes could not remain for any length of time in circulation while this was practised; nor, indeed, was it the interest of the Bank to force the issue of her notes under such circumstances, as she, by that means, rendered herself liable to be exhausted of her guineas. On the contrary, it appears, from the evidence adduced before the committee of secrecy, that when the exchange became unfavorable, and the price of bullion rose above its mint price, the Bank Directors limited their discounts, until such time as the value of their notes was the same as their guineas, or until the market price of gold fell to its mint price, and with this fall the rate of exchange fell also.*

* This principle, apparently so novel, and at present so much disputed by those who are interested in its non-existence, has nevertheless been firmly established for nearly a century, as will appear from the following extract from "A Discourse concerning the Currencies of the British Plantations in America, &c."

"The repeated large emissions of paper money are the cause of the frequent rise in the price of silver and exchange, *which do*

Since, however, the Bank Restriction Bill passed, this salutary check upon the issues of the Bank Directors has been entirely destroyed, and there can now exist no possible obstacle to the increase of their notes, but what their own prudence suggests.

as regularly follow the same as the tides do the phases or courses of the moon. When no larger sums are emitted for some time than what is cancelled of former emissions, silver in exchange is at a stand; when less is emitted than cancelled (which seldom happens), silver in exchange do fall.

"This is plain to a kind of demonstration, from the history of the paper-money emissions in New England.

"After silver had rose, Anno 1706, to 8s. per ounce, by light pieces of eight superseding the heavy pieces, it continued at that rate, while paper emissions did not exceed a due proportion to the current silver: An. 1714, we emitted £50,000 upon loan, and A. 1715, Rhode Island, £40,000, besides emissions on distant funds for charges of Government: in the autumn, A. 1715, *silver became* 15 *per cent. advance above* 8s.; *that is, about* 9s. 2d. *per ounce.* Massechuset's Bay, A. 1717, emitted £100,000 upon loan, and a very long period, *silver rose to* 12s. *per ounce;* A. 1721, Massechuset's Bay emitted £50,000, and Rhode Island £40,000 upon loan; *silver,* A. 1722, *became* 14s. *per ounce.* From that time a chargeable Indian war required large emissions, *and silver rose to* 16s. *per ounce;* it continued at this rate till A. 1728, emissions not being larger than cancellings. A. 1727, Massechuset's Bay emitted £60,000, and A. 1728, Rhode Island emitted £40,000 upon loan; *silver became* 18s. *per ounce;* A. 1731, Rhode Island emitted £60,000 upon loan (N. B. Besides the several loans in the course of this history, all the charges of the four Governments were defrayed by paper emissions), and *silver became,* A. 1732, 21s. *per ounce;* A. 1733, Massechuset's Bay emitted £76,000 upon funds of taxes, Rhode Island £104,000 upon loan and taxes, Connecticut £50,000 upon loan, and A. 1734, *silver became* 27s. *per ounce.* From A. 1734, to A. 1738, *more bills were cancelled than emitted, exchange fell from* 440 *to* 400 *per cent. advance.* A. 1738, Rhode Island emitted £100,000 upon loan, *silver rose from* 27s. *to* 29s. *per ounce.*—Page 26.

If I am correct in my view of this subject, the high permanent rate of Exchange is a consequence of a depreciated currency, occasioned by an excess of Bank notes, which act on the rate of exchange in a similar manner, as if our currency was debased, either by adulteration of the standard, or by a deficiency in the weight of the coins. This depreciation affects the market price of the precious metals in the same manner as the debased currency affected it in the reign of King William the Third, and previous to the reformation of the gold currency in 1774; and while this depreciation continues, the unfavourable rate of exchange will continue also; and will be indicated by the excess of the market above the mint price of gold. In the case of an unfavourable exchange, caused by a balance of debt, the rate will at no time exceed the expense of transmitting the precious metals, bating the depreciation on Bank notes, or the excess of the market above the mint price of gold. Withdraw the cause of the depreciation, as was done when the currency was debased, and we shall obtain the same beneficial results in the one case as in the other.

Let the Directors of the Bank of England resume those principles for the rule of their conduct now, by which they were guided before the Restriction Bill took place. Let them on every rise of the exchange limit the amount of their discounts, and it will invariably happen as it did then, that a diminution of their notes will cause a fall in the rate of exchange, and in the market price of bullion.

The observance of the same rules by the Bank of Ireland, in regard to the exchange, is stated in very explicit terms by the committee, which sat on their affairs in the year 1804. The committee, in mentioning the necessity of contracting the issues of paper money, say (page 7), "such has been the natural practice of Banks, previous to the restriction. Mr. Colville (a director) states it in very clear and forcible terms, as to the Bank of Ireland. *Prior to 1797, they limited the amount of their issues as exchange rose.* If prudence had not dictated such a course, necessity would have compelled a diminution of their issues, by diminishing the stock of specie which could only be replaced at a loss proportionate to the existing rate of exchange; and your committee observe, that in fact, as well as in theory, the effect of such practice *always was, and must be the redress of the unfavourable exchange.*" Again (page 14), "your committee do in express terms declare their clear opinion, that it is incumbent on the Directors of the Bank of Ireland, and their indispensable duty, to limit their paper at all times of an unfavourable exchange, during the continuance of the restriction, exactly on the same principle as they would, and must have done, in case the restriction did not exist; and that all the evils of a high and fluctuating exchange must be imputable to them if they fail to do so."

That the language of this committee, pointed as it is, was not overcharged, is evident from a circumstance of which Mr. Parnell informs us,* that in

* Parnell on Currency and Exchange, p. 15, 4th Edition.

Feb. 1804, guineas were openly bought with these notes in Mr. Frank's office, Suffolk Street, Dublin, at a premium of ten per cent. In London the sale of guineas at a premium has not been so openly conducted; but it has, notwithstanding, been carried on to a great extent, and at a premium considerably above ten per cent.

According to the principle which I shall endeavour to establish, viz. that the market price of gold can at no time exceed its mint price, provided every £3 17 10½ contain an ounce of standard gold; it would appear, that every excess of the mint price must be attributed either to a debased, or a depreciated currency. For example, if £3 17 10½ contained an ounce of standard gold, the value of that ounce would be precisely £3 17 10½. But if it required four guineas of our present gold coin to weigh an ounce of standard gold, the price of an ounce would be precisely four guineas; and if the price of an ounce of gold in Bank notes is £4 13, while the ounce contains only £3 17 10½, it follows that gold is more valuable than Bank notes by 15s. 1½d.; the difference between the price of an ounce of gold as rated in respect to itself, and its price as rated in Bank notes. Again, if it be required of our present gold currency four guineas to weigh an ounce, the price of gold would not be higher than four guineas. And if it required £4 13 of Bank notes to purchase this ounce, or these four guineas, still the Bank notes would be less valuable than the four guineas by 9s. which is a positive depreciation of Bank notes to that amount. But as the deficiency in the weight

of our present gold coins, according to the last experiments made by the officers of his Majesty's mint in 1807, amounted on the average of all species in circulation, to about $1\frac{1}{4}$ per cent. this, deducted from the excess of the mint price of gold, will leave a depreciation of Bank notes equal to about £14 13 per cent.* †

* See Tables in the Appendix.

† The Bullion Committee, in enumerating the proofs of the depreciation of Bank notes, brought forward the high market price of silver bullion among others; its having nearly corresponded with the high market price of gold, which could not, in any degree, be ascribed to a scarcity of silver. The importations having of late years been unusually large, while the usual drain for India and China has been stopped. (Report, p. 10, Johnston's edition.) Mr. Bosanquet is extremely angry with the Bullion Committee for having made this statement, which, he says, " is *unpardonably erroneous*, for the fact which refutes it had " drawn the attention of the committee." (Page 34.) Mr. Bosanquet alludes to the examination of Mr. Merle before the committee, to whom the following questions were put:

" What is a dollar worth now?—Four shillings and nine " pence: silver is about five pence an ounce above the coinage " price."

" That is, about nine per cent., is it not?—I suppose there- " abouts."

" How do you account for the circumstance of gold being 16 " per cent. above its coinage price, and silver only nine?—I can- " not answer that question, because I am not conversant with " the foreign connexion." (Report, appendix of evidence, p. 40.)

Without the aid of *the foreign connexion* it is possible to explain what Mr. Merle could not account for, and in doing so I shall be able to show Mr. Bosanquet how far his severe accusation of the Bullion Committee was consistent with matter of fact.

Upon the 4th of July, 1809, the market price of doubloons was £4 8 per ounce, equal to £4 12 $10\frac{1}{2}$ for standard gold; the same date, Spanish dollars were 5s. 6d. per ounce, equal to 5s. 9d. for standard silver. These proportions were as 16.27 to 1. The market price of gold was £19 5 $2\frac{1}{2}$ per cent. above its mint price. The excess of the mint price of silver was only £11 5 $7\frac{1}{2}$.

The relative value of the two metals having (from 15.07 the mint proportions) become as 16.27 to 1, the difference is equal to 8 per cent., making the real rise in the price of silver £19 5 7½ per cent., or 5d. per cent. more than the rise in the price of gold.

Again, upon the 6th day of March, 1810, ten days after Mr. Merle was examined, the market price of doubloons was £4 7 per oz., equal to £4 11 10½ for standard gold; the same date Spanish dollars were 5s. 6½d., equal to 5s. 9½d. for standard silver. These proportions were as 16 to 1. The excess of the mint price of gold was £17 9 6½ per cent. The excess of the mint price of silver was only £12 1 11 per cent. The relative proportions of the metals having become as 16 to 1, is equal to £6 3 5¼ per cent., making the total rise in the price of silver £18 5 4¼ per cent. or 5s. 9¾d. per cent. more than the rise in the price of gold. And if we deduct for the rise in the market price of silver above its mint price, caused by the inaccurate determinations of the mint proportions, of which Mr. Bosanquet has stated the average before the suspension of cash payments to be 1½ per ounce, or £2 8 4½ per cent.; then, on the first example, the real rise in the price of silver, caused by the depreciation of Bank notes, will be £16 16 3 per cent.; on the second, £15 17 per cent. Mr. Bosanquet, having stated that the price of silver had only risen 5⅔ per cent. above its average price, before the restriction took place, seems to have committed an error of upwards of 10 per cent., but that his error is not unpardonable is easy to decide: the public, however, should naturally receive with jealousy the statements of practical men, who so confidently assert as facts, what are only apparently so. It seems singular that so acute an observer as Mr. Bosanquet has proved himself to be, should have overlooked the important effect which is produced on the price of silver, in a country where gold is the standard, by an alteration in the relative value of the two precious metals, and more particularly so, as the Bullion Committee had directed the public attention to this most important principle in the following passage, in their valuable report; "That permanent rise in the market price of gold "above its mint price, which appears by Mr. Greffulhe's paper "to have taken place, for several years, both at Hamburgh and "Amsterdam, may in some degree be ascribed, as your com-"mittee conceive, to an alteration which has taken place in the "relative value of the two precious metals all over the world; "concerning which, much curious and satisfactory information

" will be found in the appendix, particularly in the documents laid " before your committee by Mr. Allen. (Acc. No. 21 to 33.) " From the same cause, a fall in the relative price of silver " appears to have taken place, in this country, for some time " before the increase of our paper currency began to operate. " Silver having fallen in its relative value to gold throughout " the world, gold has appeared to rise in price in those markets " where silver is the fixed measure, and silver has appeared to " fall in those where gold is the fixed measure." (Report, p. 7 and 8, octavo edition.)

CHAPTER VIII.

Proofs adduced to show that there exists no necessity for the continuance of the Restriction Bill.

As the popular argument in favour of the continuance of the Restriction Bill, has been the impossibility of the Bank resuming her payments in cash, while the price of gold is so much above its mint price, I shall here endeavour to prove that the *price of gold* can, in reality, at *no time*, be above its mint price, and that its being so at present, in appearance, is caused by the excessive quantity of Bank notes in circulation.

As much misapprehension has existed on this subject, it will be necessary to explain the cause of it.

The mint price of silver is 5s. 2d. per oz. and at this rate was legal tender in all payments, and to any amount, until the 14th of his present Majesty, when it was enacted, that silver should be a legal tender to the amount of £25 only.

The mint price of gold is £3 17 10½ per oz., that is, an ounce of gold is worth £3 17 10½ of silver, coined at the rate of 5s. 2d. per oz. The gold coins were declared a legal tender at this rate in 1717 to any amount. In consequence of this measure, we became possessed of two standards

of money, each legal tender. I have already stated in what manner this declaration gave a preference to the gold coins, and they have continued since 1717 to be the principal measure of property. As the silver coins have continued to increase in debasement since this period, it would appear that the gold coins have only a nominal reference to those of silver; for if the gold coins were valued in the present debased ones of silver, it would follow that in place of gold being worth £3 17 10½ it would be worth about £4 17 4 per oz. or 25 per cent. more than its mint price, the silver coins being this much debased below the standard of 5s. 2d. per oz. Hence it would appear that gold in bullion, since 1717, has not in reality been rated in silver, but in gold coins. The idea of gold in bullion being rated in our silver coins, while in reality it has been rated in those of gold, has been the cause of all the misapprehension respecting the mint and market price of gold, and which is likely to continue while we have two standards of money each legal tender. If the term £3 17 10½ had been laid aside, and the word ounce substituted in its place, would it not have followed, that an ounce of gold was just an ounce of gold, and would have continued so to the end of time; its command over the conveniences and necessaries of life being exactly in proportion to the quantity of ounces in the country. But if we choose to continue the term £3 17 10½, which is just another name for an ounce of gold, it does not in the least degree alter the question; for if £3 17 10½ contains an ounce of gold, an ounce

of gold cannot be worth more than £3 17 $10\frac{1}{2}$; or in other words, an ounce of gold cannot be worth more than an ounce of gold, if the same in purity, which we take for granted.

This reasoning is confirmed, first, by the debased state of the gold currency, previous to its reformation, when £3 19 $2\frac{3}{4}$ did not contain more than an ounce of gold; and, secondly, by the reformation of the gold coin. When every £3 17 $10\frac{1}{2}$ was made to contain an ounce of that metal, the price of gold immediately fell to its mint price, at which it continued for 20 years, and must have continued so *ad infinitum*, had not the Bank Directors, by their imprudence, deranged the system of our currency.

If the gold coins had in reality been rated in silver, the guinea in place of being current for 21s. would have been current for nearly 30s. as it was in 1695, previous to the re-coinage of silver in the reign of William the Third. The price of silver also would have risen in proportion, had its value in bullion been rated by the debased coin, to perhaps 6s. 5d. per oz; 6s. 5d. of our present silver coin not containing more than an ounce of standard silver. The price of silver, however, was rated in gold from 1774 to 1797, and was purchased 5 per cent. cheaper, during that period, than it was for 16 years before, when the gold currency was much debased.

Further, if silver had in reality been the standard of our money, and the coins maintained in that

state of perfection, both as to weight and purity, that our gold coins have been, we would then have had an invariable price of silver; if the mint price of silver was fixed at 5s. 2d. per oz. and every 5s. 2d. contained an ounce, the market price of the same standard silver never could exceed and never could be below that sum; its price not being referrable to any other standard of value, and having a reference only to itself, its price could not alter; for how could 5s. 2d. be worth 6s. 5d. or an ounce become worth an ounce and a quarter? the thing is impossible.—According to this principle, gold would vary in its price in proportion to its quantity and the demand for it, its price would have been measured by silver, as a standard invariable in its price or denomination; the reverse of this, however, has been the case; from 1777 to 1797 we had an invariable price of gold, and a varying price of silver; which is a clear and decided proof that gold, and not silver, has been the standard of the money of England.

Having thus endeavoured to prove, that since the period in which gold coins were declared legal tender, their value has not been rated in silver, but in gold coins, and that silver in bullion has not been rated in the silver coins, but in those of gold, and consequently, that while £3 17 10½ of gold coins contained an ounce of standard gold, no difference could possibly exist between the mint and market price of that metal; let us us next, to simplify this fact, still further suppose, that we had only

gold coins in circulation, and in place of the arbitrary arrangement of pounds, shillings, and pence, we had the more simple and clear terms, ounces, half and quarter ounces, it will be evident, that the value of these ounces, half and quarter ounces, would be subject to a variation in *real value*, in proportion to the quantity of them in the country; but no force of language can make an ounce more valuable than four quarter ounces, or an ounce any thing but an ounce. Now the term £3 17 10½ I have already proved to mean nothing but an ounce of gold; it does not mean that amount in our silver coins, for it would require nearly £5 of our silver coins to be equivalent in value to an ounce of gold, taking them at the mint price. I have also proved, that if £3 17 10½ contain an ounce of gold, no alteration even in that arbitrary term can possibly take place, and we have the experience of 26 years in proof of this assertion. If my reasoning on this subject has been correct, it will follow, that since Bank notes were declared a legal tender, the price of gold in bullion has no longer been rated in gold coins. I have also proved, that it was not rated in silver coins, otherwise its price would have been considerably higher than it has hitherto been. It appears then to have been rated in Bank notes, and its price accordingly, in Bank notes, has been £4 13 per ounce. In this we have a further proof of what I before stated, that gold is no longer the principal measure of property, but Bank notes; for if gold had continued so, its market price never

could exceed, bating the debasemement of the coins, its mint price of £3 17 10½; and if silver had been so, the market price of gold would have been about £5 per ounce, its equivalent in our debased silver coins.

Further, if my view of this subject has been correct, it follows, that there exists no just cause why the Bank of England should not resume payments in cash; and that the arguments of Mr. Henry Thornton, and all those who advocated the cause of the Restriction Bill, and its policy, possess no real foundation in truth. The mode of avoiding all danger will appear in the tenth chapter.

CHAPTER IX.

Objections of Mr. Bosanquet to the principles of the last Chapter answered; with remarks on the theory of Mr. Locke.

Mr. Bosanquet in his Practical Observations on the Report of the Bullion Committee, has objected to the accuracy of the principle stated in the last chapter. He says "it is the strong hold of the theorists, and I shall not attack it otherwise than by facts." It will, therefore, be necessary to examine the solidity of the facts adduced by Mr. Bosanquet against the theory in question.

Because the market price of gold from May 1783 to May 1784 exceeded its mint price in the proportion of £3 17 $10\frac{1}{2}$ to £3 18, and in 1795 in that of £3 17 $10\frac{1}{2}$ to £4 3 and £4 4, and because the Bank on one occasion paid as much as £4 8 for gold, Mr. Bosanquet infers that the theory in question cannot be accurately applied to practice. Upon these facts I would remark that in 1783 a period was put to the American war. The stimulus which commercial industry and speculation receives from so desirable an event as peace, has a natural tendency to call forth an increased circulation of money; that this was the case in 1783 cannot be doubted—that the Bank in this year had extended her issues to the utmost limits that a prudent consideration for her

own safety would admit is certain, from the circumstance of her having refused to advance money upon the loan of that year.*

The excess of the mint price of gold, therefore, during the period here mentioned, must have been caused by a partial excess of Bank paper; that this was the opinion of the Directors of the Bank is evident from the precautionary measure they adopted, to avoid a greater excess of paper, and consequently of the mint price of gold.

The circumstance of the Bank Directors having stated to Mr. Pitt, in 1795, that gold was £4 3 and £4 4 per ounce, is the second fact brought forward by Mr. Bosanquet to prove the insufficiency of the theory in question.

It is somewhat remarkable (as Mr. Ricardo says, page 31, the high price of bullion a proof of the depreciation of Bank notes), "that no price of gold above the mint price is quoted during the whole year (1795) in Wettenhall's list. In December, it is there marked £3 17 6." I do not wish, however, to doubt the truth of the statement made to Mr. Pitt, though I am inclined to think the Bank Directors meant gold in coin rather than gold in bars; but let us admit the fact as stated by the Directors, and I think it possible to prove to Mr. Bosanquet, from the extent of the issues of the Bank, that such a rise in the price of gold was likely to be the result of such issues. In 1794, the average amount of Bank notes in circulation was £10,699,520, but in the first quarter in 1795

* See Bullion Report, Appendix, p. 92. Johnston's Ed.

these were increased to £12,432,240, making an increase in three months of £1,732,720. If the average of the whole of the year 1795 is compared with that of 1794, an increase of Bank notes took place of about £800,000. It is no wonder then that the price of gold exceeded its mint price, with such an increase of Bank notes in so short a period. It is of great importance to observe the means which the Bank had recourse to, to remedy this high price of bullion; and they fully confirm its cause. Their representation to the Chancellor of the Exchequer was unnecessary, because he could afford them no relief. The high price of bullion, however, caused a run upon them for guineas for the purpose of being melted, and when melted into bars, sold again to the Bank; the Bank to secure her own safety, and to answer the demands of the holders of her notes in guineas, was obliged to buy such gold at the advanced price, and to coin it. But the Bank soon saw the folly of such a contest, and begun to use the means which are always in her own power to bring the value of her paper to the value of her coin—she diminished the amount of her notes, and by the first quarter in 1796 they were reduced to £10,824,150 which was a reduction from the average quantity in circulation in the first quarter in 1795 of £1,608,090. The effects produced upon the price of gold by this reduction of Bank paper soon became visible, for by the 3d of June 1796, not only gold in bars, but foreign gold in coin, could be purchased in the London market at £3 17 6 per ounce.

I have thus endeavoured to dispose of the two

first facts stated by Mr. Bosanquet, and if he admits with me that the Bank have the power of regulating the price of gold, and an admission to this effect was made by the evidence of the Governor and Directors examined before the committee of secrecy in 1797, by Mr. Thornton in his Essay on the Paper Credit of Great Britain, by Mr. Ricardo, and by the Bullion Committee, then he will also admit that the temporary excesses of the mint price of bullion which he has stated have been caused by the operations of the Bank itself, and not by the imperfection of the principle which he has so boldly attacked by facts.

The third fact stated by Mr. Bosanquet is, that on "*one occasion* the Bank paid £4 8 per ounce for gold." This fact may be said to prove nothing more than that the Bank, or their agent for them, made a bad bargain, and like all bad bargains, when people are sensible of their error, was not repeated. It is exceedingly probable that the Bank did pay £4 8 for gold as Mr. Newland stated; if the demands of the Bank for coin were urgent, and they employed their agent to purchase gold bullion in Portugal for them, without regarding its price in the Portugal market at the time, which was probably as high as it was in London,—that it was not as much lower than the London market price as to pay the expenses of its freight and insurance to London, and afford a profit to the importer, may be inferred from its not having left the Portugal market, which in this case would have been cheap for the London market that would have been dear; to whatever price, therefore, which the agent of the Bank paid for gold in Por-

tugal, must be added, agent's commission, the charges of freight and insurance to London, and the interest on the bullion purchased till it was coined at the British mint; these charges would probably make the gold so purchased £4 8 per ounce.*

This third fact I am inclined to think my readers will admit has as little effect in impeaching the justness of the principle under consideration as the two first; and it appears to me singular that Mr. Bosanquet should have brought forward any of them for that purpose; it at least evinces his anxiety to call in question the justness of a principle which he finds it impossible altogether to deny, but which militates so decidedly and so justly against the cause which he has so zealously espoused. Shall such solitary facts overthrow a principle which the experience of 26 years has so firmly established?†

The circumstance of Portugal gold in coin selling at a higher price in the market than standard gold in bars, is brought forward by Mr. Bosanquet as another fact irreconcilable with the theory in question. This fact is admitted by the bullion committee, and to me a very satisfactory reason is given why it should be so. It appears to me, however, that Mr. Bosanquet does not fully comprehend the meaning of

* Since writing the above, which would satisfactorily explain to me the cause of the price of gold exceeding its mint price, I have seen a statement of the highest prices paid for gold by the Bank since 1773, in which it is stated that from 1786 to 1796 the highest price was £3 17 6 per ounce. It was in 1795 that Mr. Bosanquet states the prices to have been £4 3, £4 4, and £4 8. It is for Mr. B. and the Directors of the Bank to explain this contradiction.

† See the market prices of gold in the Appendix.

the fact admitted by the committee; for, if he did, there would be no necessity for his exclaiming with such apparent delight, "this admission is like the letting out of water; it must have its way, you cannot stop it." The meaning of the fact in question appears to me to be this, that by law no individual is allowed to export his own property, if it should happen to be in the shape of guineas, or of bars melted from guineas, and rather than run the risk of violating the law, at those periods when it is necessary for him to export bullion, he would be contented to pay 3s. or 4s. per ounce more for such bullion as the law will allow him to export. This premium has hitherto been sufficient to produce abundance of exportable gold; but whether it is obtained by perjury or not is a difficult question to decide. But this excess of the mint price of gold is not to be attributed to the imperfection of the principle which regulates its price, both at the mint, and in the market; it is occasioned by some of the ancient laws of the land, the doubtful policy of which the committee very justly calls in question, and which Mr. Huskisson very justly observes ought to be repealed, were it only to diminish the temptation to perjury. Let these laws be repealed, and every man at liberty to do with his property what he pleases, there would be no difference in price between bar gold and Portugal gold in coin; for the demand for the latter, which is now caused by the laws against the exportation of English gold, would never be called into existence, for who would pay a premium for Portugal gold, when English gold at its

mint price could be obtained, and could be exported without the risk, and consequent loss, of violating any law. The bullion committee have furnished us with a very valuable example of the truth of the opinion here expressed; and as it is matter of fact, and not theory, and so justly confirms the truth of the principle in question, I shall lay it before my readers:

"The truth of these observations on the causes "and limits of the ordinary difference between the "market and mint price of gold, may be illustrated "by a reference to the mode, explained in the evi-"dence, of securing a fixed standard of value for "the great commercial payments of Hamburgh. "The payments in the ordinary transactions in life "are made in a currency composed of the coins of "the several surrounding states; but silver is the "standard there resorted to in the great commercial "payments, as gold is in England. No difference "analogous to that which occurs in this country, "between the mint and market price of gold, can "ever arise at Hamburgh with regard to silver, be-"cause provision is made that none of the three "causes above specified (the expense of coinage, "the depreciation by wear, or the obstruction to "exportation) shall have any operation. The large "payments in Hamburgh are effected in Bank "money, which consists of actual silver of a given "fineness, lodged in the Hamburgh Bank by the "merchants of the place, who thereupon have a "proportionate credit in the Bank books, which "they transfer according to their occasions. The

" silver being assayed and weighed with scarcely any " loss of time, the first mentioned cause of fluctuation in the relative value of the current medium " compared with bullion is avoided. Certain masses " of it being then certified (without any stamp being " affixed to the metal) to be of a given quantity and " fineness, the value is transferred from individual to " individual by the medium merely of the Bank " books, and thus the wearing of the coin being " prevented, one cause of depreciation is removed. " A free right is also given to withdraw, melt, and " export it; and thus the other and principal source " of the occasional fall of the value of the current " medium of payment, below that of the bullion " which it is intended to represent, is also effectually " precluded.

" In this manner, at Hamburgh, silver is not " only the measure of all exchangeable value, but it " is rendered an invariable measure, except in so far " as the relative value of silver itself varies with the " varying supply of that precious metal from the " mines. In the same manner the usage, and at last " the law, which made gold coin the usual, and at " last the only legal tender in large payments here, " rendered that metal our measure of value: and " from the period of the reformation of the gold " coin down to the suspension of the Bank payments " in specie in 1797, gold coin was not a very variable measure of value; being subject only to that " variation in the relative value of gold bullion which " depends upon its supply from the mines, together " with that limited variation which, as above de-

"scribed, might take place between the market and "the mint price of gold." Bullion Report, p. 14 and 15, octavo edition.

The last argument which Mr. Bosanquet brings forward against the correct application of the principle in question to practice, is the instance of its having failed in the recoinage of silver in the reign of King William, which was planned and carried into execution upon the theoretical principles of the great Mr. Locke. I have no doubt, were the local facts accurately known to us respecting the state of our currency during the period of the recoinage, and immediately after its completion, that it would be possible to explain satisfactorily why the principle failed in producing its natural effects in this instance. At this distant date, and in the absence of these facts, I shall offer a few observations that may in some degree explain this interesting point in the history of our currency.

Before the recoinage commenced, guineas were current at 30s. each; by an act passed in the 7th of William the Third, they were declared current at a rate not exceeding 26s. and by another act in the year following (1696) they were made current at a rate not exceeding 22s. leaving them to be paid and received at any value under the rate last specified. This act it is true did not declare the guinea a legal tender at the rate of 22s. but while it circulated at this rate, and for a short time after the recoinage was completed it did so, the mint proportions of gold to silver were as 15.79 to 1. The relative values of gold to silver in the market being about 14½ to 1, a

profit attended the coining of gold of upwards of 8 per cent. In the same proportion it evidently became the interest of individuals to pay their debts in gold, thus much overrated at the mint. But it will be said, no person was obliged to take the guinea at 22s. Granted, but they did take it, and probably the Exchequer showed the example; the scarcity of currency also during the period of the recoinage, which lasted about 4 years, perhaps left no other alternative than both to pay and receive payments in gold at the rate here specified. As silver had been reputed the standard of our currency before the recoinage, to have returned to payments in it after its completion as the only legal tender, would have been attended with a disadvantage to every debtor of upwards of 8 per cent., gold being this much over-rated at the mint. But neither the legislature, nor the creditors of the state, took any means to effect such a change. If the legislature had, when the recoinage of silver was completed, declared the guinea current at 20s. then the relative values of gold to silver in the mint would have been fixed somewhat under their market proportions, and silver would have become the standard of our currency, because it would have been the interest of every individual to have coined and paid their debts in silver rather than in gold. The guinea, however, was allowed to find its own value, and soon after the recoinage was finished, it became current, without the interference of the legislature, at 21s. 6d. In consequence of this fall in the value of the guinea, the mint proportions of gold to silver became as 15.43 to 1.

The market relative proportions remaining at about 14½ to 1, there was a premium upon the coining of gold of about 6½ per cent.: by the same principle, a premium to the same amount was to be obtained upon every £100 of silver coin converted into bullion. The market price of silver exceeding its mint price by the difference of the relative values of the two metals at the mint compared with their relative values in the market. But it may be asked, why did people receive the guinea at 21s. 6d. seeing it was their interest by 6½ per cent. to be paid in silver rather than in gold? It is difficult, if not impossible, to answer this question accurately; but it should not be matter of astonishment to us, if in an age when the guinea had been current at 30s. 26s. and at 22s. that people should have persuaded themselves that they were deriving an advantage from receiving and paying it at the rate of 21s. 6d. nor can it be matter of surprise to us, that people did not then perceive the effects produced on the valuations of property by an inaccurate determination of the mint proportions. The great Mr. Locke himself did not impute the high price of silver after the recoinage to this cause; he attributed it to the permission of exporting silver bullion, and to the prohibition of exporting silver coin. This permission of exporting, he said, rendered the demand for silver bullion greater than the demand for silver coin. Dr. Adam Smith very justly remarks upon this opinion of Mr. Locke's, that "the number of people who "want silver coin for the common uses of buying "and selling at home, is surely much greater than

" that of those who want silver bullion either for " the use of exportation or any other use. There " subsists at present a like permission of exporting " gold bullion, and a like prohibition of exporting " gold coin; and yet the price of gold bullion has " fallen below the mint price. But in the English " coin, silver was then, in the same manner as now, " under-rated in proportion to gold; and the gold " coin (which at that time was not supposed to re- " quire any reformation) regulated then, as well as " now, the real value of the whole coin." Wealth of Nations, vol. i. p. 58.

There is another circumstance which might operate upon the disposition of people to pay and receive payments in gold about the period in question, and that is the disordered state in which the affairs of the Bank of England were at that time. There can be no doubt but the notes of the Bank were, in 1696, at a discount of from 15 to 20 per cent.* In such a singular state of credit, without good silver, with paper so much depreciated, was it not natural for people in general, both to receive and pay in gold, the only species of currency whose value may be said to have been accurately defined at the time.

I submit the foregoing observations upon this most interesting part of the history of our currency to the public, with great diffidence, but with a firm

* See James Postlethwaite's History of the Public Revenue, p. 301. A short Account of the Bank by Mr. Godfrey. A short History of the last Parliament, 1695, by Dr. Drake. The Arguments and Reasons for and against Engrafting upon the Bank of England, with Tallies, &c.

conviction in my own mind, that they satisfactorily explain the reason why Mr. Looke's theory in this particular case ,failed in producing the effect which he had so confidently and so reasonably expected from it: and if I have in any degree removed that jealousy which Mr. Bosanquet says the public should reasonably entertain of theoretical men, I shall feel satisfied, even though I should fail in convincing him that Mr. Locke was correct in his theory; and that its erroneous application to practice did not rest with Mr. Locke, nor with his theory, but with the legislature; and unfortunately for the memory of Mr. Locke, the legislature denied his theory, though unintentionally, that opportunity of proving its correctness in practice, which we have witnessed in a subsequent period in the history of our currency. Mr. Locke's theory was acted upon at the general recoinage of the gold currency in 1773, and 26 years practice proved its truth. That this is fact cannot be denied; but I will admit with Mr. Bosanquet that the theory seems now to have failed, for we have a high market price of gold, and no gold currency; but in whose hands has the theory failed? by whose measures has the country been subjected to the loss of £750,000 for a gold recoinage? the theory has not in this instance failed in the hands of theoretical men, nor by their measures has the country been subjected to the loss in question; but in the hands, and by the measures, of those practical men, who unfortunately for their country have had the power of regulating the value of its currency for fourteen years.

CHAPTER X.

On the remedy which the foregoing facts suggest as calculated to redress the evils of the Restriction Bill.

From what has been stated in the foregoing Chapters, the remedy for the evils occasioned by the Restriction Bill must be obvious. The manner of applying it, however, is of a delicate nature. The immediate resumption of payments in gold at the Bank would be attended with serious inconvenience; and no doubt considerable embarrassments would follow. From the doctrine which I have endeavoured to establish, a diminution of Bank notes must take place before the price of gold is affected. The particular mode of carrying this diminution into effect, whether by a considerable reduction, in the first instance, of one and two pound notes, or by small, but simultaneous reductions of the different classes of notes, is a question to be decided by those who are practically conversant with the business of the Bank, and with the ramifications of paper circulation. It is clear, that an operation of so serious a nature should be gradual. As soon as any considerable reduction of paper shall take place, bullion will experience a fall; the exchange will rise in proportion, and the temptation to melt and export guineas

will be lessened. A further reduction would bring paper still nearer to an equivalency with bullion, and exchange still nearer to par. A continued diminution of Bank notes would produce equality in the bullion market, and bring the exchange to par, or above it, after which the difficulty would be got over. The money dealer would then find it his interest to import bullion, and the Bank might resume cash payments without apprehensions of a run, it being at all times an accommodation to the public to make their large payments in paper money.

In pursuing this measure I do not pretend to deny, that considerable inconvenience would be felt by the mercantile community, for want of such liberal discounts as they may have had of late from the Bank; but the evils arising from this temporary embarrassment are by no means so great, as to plead for a continuation of the present pernicious and oppressive system.

As far as the Bank is concerned, the public is entitled to the most liberal exertions. The Restriction Bill has afforded the Bank enormous profits.—Observe the surprising effects produced on the value of Bank stock, by the exemption from cash payments after 1797.

In 1760, the average price of Bank stock was............	110½
1777,............ditto............................	133½
1797, (having fallen after the alarm)................	127½
1808, (having risen progressively) the average was	235½
1809, in July, Bank stock sold for..................	280

The usual dividend on Bank stock was seven per

cent. a year. Observe the large premiums or *bonuses*, as they are called, given in addition to the dividend.

In June, 1799, there was given on every £100 Bank stock, a bonus or present of £10 Loyalty stock.

May, 1801	5 Navy, 5 per cent. stock.
Nov. 1802	2½ Ditto.
Oct. 1804	5 per cent. cash.
Ditto, 1805	5 Ditto.
Ditto, 1806	5 Ditto.

And in April, 1807, the dividend was raised to ten per cent. at which it has since continued!

CHAPTER XI.

Concluding remarks on the pernicious tendency of the Bank Restriction Bill.

I CANNOT leave this important, and highly interesting subject, without expressing my astonishment, that the people of Great Britain should have so long submitted to a system, fraught with so much injury to individual property, and to the prosperity of the country at large. The people of this country have always shown a laudible zeal for the perfection of the currency; and had any member of the House of Commons pleaded for a system that was to debase the currency fifteen per cent. by an adulteration of the standard of our money, his doing so would have been considered as a grievous calamity to his country, and his motion would have been treated with the utmost indignation.

The public mind has of late become considerably enlightened on this important subject; and as the progress of truth is to expunge error, let us hope to see that love for the prosperity of the country manifested by both Houses of Parliament, which was exhibited when the affairs of the Bank of England occupied their attention in 1797; when the welfare of the country was said to be so closely interwoven

with her concerns. The country has a right to expect, and it looks to the Legislature for the discharge of the important duty—an investigation whether there now exist the same reasons for the continuance of the Restriction Bill; and, if the same reasons still exist, the inquiry again, whether these reasons imply any necessity which has its foundation in truth.

If the public were well-informed of the consequences that have followed the Restriction Bill, if they knew that the present high price of provisions is in a great measure attributable to the dangerous power granted to the Bank of England, would not the ears of the Sovereign have been assailed from every city and town in Great Britain, for a repeal of that impolitick measure? Would not the fathers of families, widows and orphans, have supplicated the removal of an evil which was so rapidly and unjustly depriving them of the means of procuring daily bread? The calamities of war have pressed sufficiently hard on the poor, in the depreciation of money that has ensued from taxation; but it is certainly cruel and unjust to aggravate those evils by a measure that has been adopted in no country without the most serious injury to the body of the people, and ended in calamities that every good man would wish his country and his fellow creatures to avoid. The people of this country have cheerfully submitted to all the inconveniences and expenses of a war, in defence of their rights and liberties, and it is to be

feared, that their burdens will rather be increased than diminished. With this prospect before them, it becomes the Legislature to watch over their interests, to redress the grievances of those who are injured, by the present system of the Bank of England; in general they will be found a meritorious class of the community. The whole army and navy are sufferers by the present system; also all officers on half pay, the widows of officers who have lost their lives in the service of their country; those who from age and other infirmities have retired from the duties of office under Government. These classes of the community must suffer a diminution of comfort in proportion to the extent of the depreciation on Bank of England notes. They have no means to shift the load from off their own shoulders. In this respect they are worse situated than the day labourer, who demands, and must obtain a recompence for his services, proportionate to the existing price of provisions.

Whatever evils may now exist in consequence of the Bank Restriction Bill, the public has no security, that they shall not be increased. An excessive paper currency, however, has, in those countries where the experiment has been fairly tried, worked its own remedy, but not without giving an awful shock to commercial credit. On the Bank of England depends the credit of all our country Banks; the notes of the latter being payable in the former, the notes of all are at a discount of fifteen per cent.

Must this evil be continued until it overthrow the commercial credit of Great Britain?*

* As the authority of Mr. Burke is, with an important portion of our countrymen, high, it may not be useless to remind them, not only that a forced paper circulation was one of the effects of the French revolution on which he dwelt with the greatest indignation; but that the very circumstances which he selected, as characterizing most strongly its mischievous effects, are most of them the very circumstances in which it is found coincident with that kind of forced circulation, under the effects of which we now labour in this country.

Mr. Burke's opinion of the compulsory paper of the revolutionary government of France is thus shortly expressed: "So violent an outrage upon credit, property, and liberty, as this compulsory paper currency, has seldom been exhibited by the alliance of bankruptcy and tyranny, at any time, or in any nation." Burke's Works, vol. v. p. 275.

Again, "We entertain an high opinion of the legislative authority: but *we have never dreamt that parliaments had any right whatever* to violate property, to over-rule prescription, or *to force a currency of their own fiction in the place of that which is real*, and recognized by the law of nations."—Vol. v. p. 327.

Mr. Burke further remarks, that "when so little within, or without, is now found but paper, the representative not of opulence, but of want; the creature not of credit, but of power; they imagine that our flourishing state of England is owing to that Bank paper, and not the Bank paper to the flourishing condition of our commerce, to the solidity of our credit, and to the total exclusion of all idea of power from any part of the transaction. They forget that in England, not one shilling of paper money of any description is received but of choice: that the whole had its origin in cash actually deposited; *and that it is convertible, at pleasure, in an instant, and without the smallest loss, into cash again.* Our paper is of value in commerce, because in law it is of none. It is powerful in change, because in Westminster Hall it is impotent. In payment of a debt of twenty shillings, a creditor may refuse *all the paper of the Bank of England.* Nor is there amongst us a single public security, of any quality or nature whatsoever, that is enforced by authority. In fact, it might be easily shown, that our paper wealth, instead of lessening the real coin, has a ten-

dency to increase it; 'instead of being a substitute for money, its only facilitates its entry, its exit, and its circulation; that it is the symbol of prosperity, and not the badge of distress. *Never was a scarcity of cash, and an exuberance of paper, a subject of complaint in this nation.*"—Vol. v. p. 461-2.

Mr. Burke, in further descanting on the measures of the revolutionary government, adds, "As to the bankruptcy, that event has happened long ago, as much as it is ever likely to happen. So soon as a *nation compels a creditor to take paper currency in discharge of his debt, there is a bankruptcy.*"—Vol. vii. page 47.

CHAPTER XII.

Summary View of the Doctrines, which the reasoning in the foregoing Chapters tends to establish.

It has appeared, that the rate of exchange cannot exceed the expense of transmitting the precious metals from one country to another. And, should it so happen, that, with a currency of gold and silver only, the rate should appear to exceed that amount, it must be occasioned by the debasement of the coins, they being deficient in weight; and whatever that rate exceeds the expense of transmitting the gold or silver, must be the amount of the debasement of the currency, as the rate of exchange is calculated, not in what a currency contains, but in what it ought to contain.

If the rate of exchange exceed the expenses of transmitting gold from one country to another, with a currency consisting of gold and silver and paper, the latter convertible into the former, it must necessarily be temporary, and will always effect its own remedy.

I have endeavoured to establish, that the market price of gold cannot exceed its mint price, with a currency consisting of gold and silver only; unless

the coins be debased by a deficiency in weight, in which case the excess of the market above the mint price of gold will indicate the exact degree of debasement.

With a currency consisting of gold and silver and paper, the latter convertible into the former at the pleasure of the holders, the market price of gold may exceed its mint price; but this excess is necessarily temporary, and always effects its own remedy.

With a currency consisting of gold and silver and paper, the latter not convertible into the former, the market price of gold may rise above its mint price to an indefinite extent, and may become permanent, which altogether depends on the discretion of the Bank, in the issues of her notes. The price of gold being rated in her notes will have a price according to their quantity in circulation; in this case, the excess of the market above the mint price of gold, is the amount of the depreciation on Bank notes.

With a currency consisting of gold and silver and paper, the latter not convertible into the former, the rate of exchange may exceed the expense of transmitting the precious metals from one country to another; the excess may become permanent, and it may rise to an indefinite extent, depending altogether on the amount of paper in circulation; an evil for which the country can have no effectual and permanent remedy, but in the obligation of the issuers of those notes, to pay them in gold or silver on demand. Whatever the rate of exchange exceeds the expense of transmitting the precious

metals must necessarily be the amount of the depreciation of Bank notes, together with the debasement in the currency, as the rate of exchange cannot exceed the expense of transmitting gold from one country to another, but in consequence of a debased or a depreciated currency.

CHAPTER XIII.

Observations on the principle on which the coins constituting the principal measure of property are fabricated—on the propriety of establishing but one standard of money, and on the principles of seignorage.

The principle by which our gold coins have been fabricated during the greater part of a century having been fully explained in a preceding Chapter, it will be only necessary here to recapitulate. It appears that gold coins are now the exclusive standard measure of property in this country, and that the price of gold, as fixed at the mint, is invariable; that while every £3 17 $10\frac{1}{2}$ of our gold coins contain an ounce of standard gold, they will at all times command an ounce of gold bullion in the market. It must appear evident, however, that any imperfection in these coins should be carefully avoided, as the debasement will raise the price of gold in the market in proportion to its extent; the new and heavy coins that may be issued from the mint, will be exchanged for the light and debased ones, and will be melted and sold for the profit attending the high market price. This practice must subject the country to a heavy loss in replacing the coins thus melted, and

which in their turn are likely to undergo the same fate. The reader is referred to the Tables of the prices of gold, in the Appendix, from 1760 to 1773, to show more particularly the effects produced by allowing the gold coins, which then, as well as now, were the principal measure of property, to become debased. Upwards of seven hundred thousand pounds on the average of every year during this period were issued from the mint. There was, however, no curing the evil but by a general recoinage of the light and debased coins, which reduced the price of gold to nearly a half per cent. below its mint price.

The judicious regulations of the late Lord Liverpool, announced in his Majesty's proclamations, that the gold coins should pass by weight as well as by tale; and that the guinea should not be a legal tender, when it weighed less than five dwts. and eight grains, the half and third of the guinea in the like proportion, but should be returned to the mint to be recoined, were well calculated to maintain our gold currency in that state of perfection to which it was brought by the general recoinage. It is probable, that if the Restriction Bill had not deranged our monetary system, we should have still possessed a currency in a state of perfection which few or no nations have ever enjoyed, and from which many and great advantages would always result to the country at large. If it is considered, that the rate of exchange for or against a country, in a great measure depends on the perfection of the coins constituting the principal measure of property, this will further enforce the propriety and necessity of watch-

ing over the perfection of this standard of value, being a result in which the commercial community is so much interested.

Among the objects which require the attention, vigilance, and study of the Legislature, the state of the money is not one of the least considerable. The aim of government should be to obtain what is required in the shape of taxes with the least possible oppression to the subject, and this it cannot do, if it fetters his industry by imperfect systems of currency, of which the country at large have complained as often as they have existed.

If this country have the good fortune to see the Restriction Bill repealed, the proclamations of his Majesty should again be put in full force in support of the perfection of our gold currency for which so much money has been expended.

When this desirable object is attained, it might be proper to establish an office in his Majesty's mint, for giving facility to the exchange of the coins become deficient in weight from wear, as stated in the proclamation; the government to determine at whose expense the exchange shall be made. An office of this nature anciently existed in the mint, and the person who held it was called the King's exchanger. The following account of this office is given by Lord Liverpool: "This officer appears not only to "have exchanged the coins of one metal made at "the royal mint, for those made of another; but as "the exportation of the coins of the realm was "prohibited, he furnished persons going out of the "kingdom with foreign coins, in exchange for En-

" glish coins; and he furnished merchants, strangers, " coming into the kingdom, with the English coins, " in exchange for foreign coins: this officer had his " deputies in many of the out-ports and principal " cities of the kingdom: a considerable profit was " made by this practice, of which the king is said " to have had his share. When gold coins were " exchanged for silver coins, a silver penny of that " time was taken for the exchange of each gold " noble, being the largest gold coin then in cur- " rency, and in like proportion for smaller gold " coins; and when silver coins were exchanged for " gold coins, a silver penny of that time was given " for each gold noble received in exchange for them, " and in like proportion for smaller coins; and the " exchanger is said to have gained thereby 1¼ per " cent. When this officer exchanged foreign coins " for English, or English for foreign, the exchange " was regulated by a table, hung up in each of his " offices. The last person that was appointed to the " office of king's exchanger, was the Earl of Holland, " in the third year of Charles the First." Lord Liverpool, p. 213-4.

It must be admitted, that an office of the nature here described would be a great public convenience, and would powerfully tend to preserve the gold currency in that degree of perfection which is so essential to the prosperous course of the country. The increased facility of the operations of the new mint, by which the light money could speedily be recoined, would render a large capital unnecessary; and if the government adopt any of the foregoing

regulations of the exchanger's office, in respect to foreigners, it may defray the interest of the capital employed. This tax on foreigners should not, however, exceed the expense which they are subjected to in disposing of their coins to a goldsmith, who has his reasonable profit by the transaction.

In a preceding Chapter, it has been proved, that coins of gold have been the exclusive standard measure of property in this country since 1717, not only in our intercourse with one another, but with foreign nations. During this period, silver coins have acted in the same subordinate situation in relation to gold coins, as copper coins have in relation to silver. In point of law, however, the silver coins were equally a legal tender with those of gold, and continued so until 1774, when an act was passed declaring silver a legal tender to the amount of £25 only, except by weight.*

The late Lord Liverpool has at considerable length, in his letter to the King, stated the evils which arise from a nation having two standards of

* Although this Act of Parliament prohibits an individual from paying a debt in silver currency *by tale* beyond 25*l.*, he can, notwithstanding, pay to any amount, provided he does it by weight, at the rate of 5*s.* 2*d.* for each ounce of silver; this law, therefore, cannot prevent silver from becoming the standard of our money, when it is the interest of individuals to pay in silver rather than in gold.

The clause of the Act here alluded to is as follows: "That "no tender in payment of money made in the silver coin of this "realm, of any sum exceeding the sum of twenty-five pounds at "any one time, shall be reputed in law, or allowed to be legal "tender within Great Britain or Ireland, for more than according "to its value by weight, after the rate of 5*s.* 2*d.* for each "ounce of silver."

money, each legal tender, and enforces the propropriety of declaring by law, that silver should only pass in exchange for the guinea, as copper now does for silver.

It will be unnecessary here to enter into a detail of the particulars stated by his Lordship: it is sufficient for our purpose, that the practice of nearly a century justifies the sanction of a practice by law, which has so long obtained, but under heavy disadvantages without law.*

* Every necessary measure should now be adopted to prevent silver becoming again the standard of our money; if it were, great injustice would be done to every person who had acquired property; it being acquired in reference to gold being the standard. It appears from the Tables in the Appendix, that the average relative value of gold and silver have been for the last year fully as 1 to 16; the mint proportion are as 1 to 15.07. If silver, therefore, was allowed to become the standard of our money, it will appear evident that no individual who owed an ounce of gold, or 3*l.* 17*s.* 10½*d.* would discharge his debt with that ounce, he would avail himself of the cheapness of silver, and with his 3*l.* 17*s.* 10½*d.* of gold, purchase 16 ounces of silver, which, if coined at the rate of 5*s.* 2*d.* per ounce, being the mint price of silver, would produce 4*l.* 2*s.* 8*d.* and with 3*l.* 17*s.* 10½*d.* of that sum, he could, and certainly would, discharge his debt, making a profit thereby of 4*s.* 9½*d.* or 6*l.* 3*s.* 0½*d.* per cent. so that every individual who discharged a debt in this manner, would save 6*l.* 3*s.* 0½*d.* while the creditor would be defrauded to the same amount.

If the present market relative value of gold and silver should become permanent, and our currency restored to that state in which it was previous to 1797 (and the act annulled prohibiting the coinage of silver at the mint, and its great scarcity will render this necessary sooner or later), silver would unquestionably become the standard of our currency, and the public creditor defrauded to the extent here described; silver only would be brought to the mint to be coined, and as the ounce of gold would be worth 4*l.* 2*s.* 8*d.* in silver, all the coins would be melted and exported for the profit attending the high market price of gold.

It has been a question often agitated, but never satisfactorily settled, at whose expense the fabrication of the coins of this country should be made. Lord Liverpool was of opinion, that a seignorage might be levied on the coins of silver, but not on those of gold, the latter being the principal measure of property, and would not in such case be perfect.

It would appear to me, that Lord Liverpool was mistaken in his opinion respecting the effect which would be produced upon the principal measure of property by the imposition of a seignorage. To render the statement as simple as possible, let us suppose for example, that we had only coins of gold in this country, and that a seignorage to the amount of the expenses incurred in their manufacture was imposed by the legislature, say $1\frac{1}{2}$ per cent. It must be evident, that £100 of such coins would be more valuable than their weight in bullion of the same purity by the expense of the coinage. Every £100 of such gold currency, therefore, would purchase, not only its weight in bullion, but $1\frac{1}{2}$ per cent. more as the expense of converting such bullion into coin; the market price of gold would thus be $1\frac{1}{2}$ per cent. under its mint price. If the seignorage was made to exceed the expenses of the coinage, so as to afford a profit to the illegal coiner, supposing him to coin money of the legal standard in weight

The necessity and justice, therefore, of declaring, by a specific Act of Parliament, gold to be the only standard of our money, and silver a legal tender to the amount of a guinea only, must appear obvious; and it is to be hoped the importance of this measure will not escape the attention of the legislature.

and fineness, then would the value of the currency be reduced by such illegal additions to its quantity; the market price of bullion would approach to its mint price, but would fall short of it by the real expenses of the coinage, and would thus destroy the profits of the illegal coiner. It will also follow, that £100 of such currency, would purchase a greater quantity of any other commodity than its weight in bullion of the same purity would do, and that by the expense of the coinage, or 1½ per cent. By the imposition of a seignorage, therefore, the price of bullion and commodities would experience a fall, limited however by the real expenses of the coinage, no laws having as yet been devised to prevent illegal additions to the currency. I would not, however, apprehend that the coins, fabricated under this system, would in any degree be imperfect: on the contrary, I think a considerable national advantage would be the result of such a principle being adopted at the British mint. As the value of the coins would be increased, so would their quantity be diminished; a smaller amount of currency would circulate the same quantity of commodities; the gold thus relieved from the channel of circulation would, in the hands of individuals, become capital, the nation deriving all the advantages of its reproduction with a profit.

There are two modes by which a siegnorage may be imposed; the one by deducting its amount from the weight of the coins; the other by charging it to the importers of bullion as I have proposed above; this latter mode, I am of opinion, would be the

most preferable, because the weight of the new coins would not differ from those now in circulation, and thus two of Lord Liverpool's objections to a seignorage upon our gold coins would be obviated. See his Letter to the King, p. 154, 155.

If the Bank of England, therefore, as almost the sole importer of bullion into the mint, was subjected to the expense of the coinage of gold, which I have stated to be the natural limit of a seignorage, she would not necessarily lose by so doing; the money which she would receive for her bullion would be augmented in value in the same degree. The government, however, would derive all the advantage of having the expenses of the gold coinage defrayed, and this has been no inconsiderable charge during the reign of his present Majesty.*

A particular advantage would be enjoyed by having a seignorage, by diminishing that speculation in the exportation of our gold coins, which so frequently takes place, when the rates of exchange make it a profitable transaction—these coins have hitherto been replaced at the expense of the Government.

* In the regulations respecting the French coinage, passed in the year 1803, as detailed in the Moniteur, it was enacted, that no charge was to be made for coining, but the actual expense incurred. It is also enacted in the French mint, that the importers of bullion shall pay the expense of refining that portion which is necessary to bring the whole to the standard of the money.

At his Majesty's mint this charge is defrayed by the public, and is frequently *a very* serious expense, sometimes amounting to a fourth, fifth, or sixth part of the whole charge of the coinage,

If the principle of a seignorage was adopted in his Majesty's mint, it would be desirable to give the importers coin for their bullion *on demand*; and such regulations might be introduced into the mint as to facilitate the business of the coinage, so as to render a large capital for the purpose unnecessary. Many advantages would result to his Majesty's mint from such a system.

CHAPTER XIV.

Observations on the principle by which our silver coins have been fabricated; a plan of a re-coinage for preserving the silver currency in a state of uniformity and perfection.

THIS country has hitherto been peculiarly unfortunate in her attempts to retain a sufficient quantity of silver in the state of coins. The great re-coinage which took place in the reign of King William, was executed according to the present mint price of silver, which is at the rate of 5s. 2d. per ounce, or 62s. to the pound weight troy. On the completion of the re-coinage, which is said to have cost about three millions sterling, the market price of silver kept superior to its mint price, thereby holding out a considerable temptation to melt and export the coins, so that, in a few years, the greater part of them disappeared from circulation. The growing debasement of the silver coins, which at this period were deemed the principal measure of property, led to the proclamation in 1717, which I have already mentioned; declaring gold coins a legal tender, at the rate of 21s. to the guinea. From this period to the reformation of the gold

coins, in 1773, the average market price of silver was more than five per cent. above its mint price, which prevented any considerable re-coinage from being executed at the mint. After the re-coinage of the gold currency, the price of silver fell somewhat nearer to its mint price, so that on an average of twenty-four years, from 1773 to 1797, its price was 5s. 3¼d. per ounce, or about two per cent. above its mint price. This continued superiority of the market was sufficient to prevent any coinage from taking place, and has been the cause of the great debasement which has ensued in our silver currency.

During the twenty-four years here mentioned, our gold coins were in a state of great perfection, and should have purchased silver bullion at the mint price, provided its relative proportion to gold had been correctly fixed. It appears, however, that silver could not be purchased but at 1¼d. per ounce above its mint price, which renders the relative value of standard gold to standard silver as $14\frac{7}{10}$ to 1. The mint proportions are as 15.07 to 1. It appears, therefore, that the relative value of gold to silver is erroneously fixed at the British mint, and if a silver coinage was executed on the present principle of 5s. 2d. per ounce, it would be more valuable than the average price of silver in the market by two per cent. This is supposing that the Restriction Bill is repealed, and the country in possession of a gold currency as perfect as it was from 1777 to 1797, and the relative value of gold and silver the same.

It would appear from these facts, that before any re-coinage of silver can take place in this country, some alteration must be made in the principle by which the coins have hitherto been fabricated.

The inconvenience which the country has hitherto experienced from the scarcity of silver coins, renders it desirable that some plan should be adopted, by which that inconvenience might be remedied. It is my intention here to propose a plan for this purpose; but, before entering into the particulars of it, it becomes necessary to consider the principle on which it ought to be executed, that the country may enjoy the advantages of a perfect currency, with the least possible expense.

I have already stated the principle which regulates the amount of seignorage on our gold coins. In respect to silver, the seignorage is not limited by the same law, but may be extended with propriety beyond the expense of coinage. In fact, the expense of coinage would not give that security to the silver coins which may be necessary to retain them in the country. Silver, being an article of more universal employment as a commodity than gold, is subject to greater fluctuations in price; and although, at the expiration of a term of years, it may not exceed its mint price above two per cent. yet it is found, from experience, to rise from five to twelve per cent. above its mint price.* The price of silver is also affected by the perfect or imperfect state of the gold coins, and from both causes

* Lord Liverpool on the Coins of the Realm, p. 150.

is liable to considerable changes. In some instances, since the Restriction Bill passed, silver has risen as high as 6s. per ounce, which is fifteen per cent. above its mint price. That this would not be the case, if the currency was restored to that state in which it existed from 1773 to 1797, appears evident from its average price not exceeding 5s. 3¼d. during that period.*

To guard, therefore, against all hazard of melting the coin, the seignorage ought to be ten per cent. above the average price in question; were it less, past experience shows the possibility of a case existing, in which a profit would be made by melting the coin.

It is not sufficient protection, as was proposed by Lord Liverpool, to make the seignorage equal only to the expense of coinage, which might be about 2½ per cent. Besides, the additional 7½ per cent. would supply a fund to meet the deterioration of the coin.

It is a matter of difficulty to fix what quantity of silver currency is requisite for the wants of the country. At present, it is supposed, there are only three millions in circulation; but this is evidently quite inadequate, as appears from the quantity of

* From the alteration that appears to have taken place in the relative value of gold to silver in the market of Europe, the price of silver, in this country, should fall to about 5s. per ounce; in reality it is so, but is prevented from being manifest in the market by the depreciation now existing in our Bank paper; the price of silver, like that of gold, being rated in this depreciated paper.

shilling, half-crown, and crown Bank notes, which from time to time have been in circulation, and the otherwise general complaint of scarcity of silver coins.

The amount issued at the recoinage in King William's time is, perhaps, not a proper criterion to judge by. The situation of the country has considerably altered; our population and trade have greatly increased; but as all great payments have been made in gold, or in Bank notes, the quantity of silver currency wanted, it being so for the subordinate office of change solely, may upon the whole be less now than formerly. Without naming any specific sum, as an adequate supply for the wants of Great Britain and Ireland, on the plan about to be proposed, we may assume, as the supposed demand, a currency of five millions, supposing that less would not be a sufficient supply.*

If we suppose then, that a recoinage of silver is to take place; that silver in place of the mint price of 5s. 2d. per oz. shall be rated at 5s. 3¼d. the

* As an excess of silver currency would be attended with great inconvenience, and loss of capital to those in whose hands the superabundance might become fixed, it is necessary to remark, that by the plan here proposed, this excess could not in any great degree take place. As all demands would be made at the mint, no more would be issued than demanded. But to prevent the possibility of any such inconvenience, let it be enacted, among the regulations of the Exchanger's Office, that every individual shall have the privilege of exchanging his silver coins for gold; and if gold is declared by law to be the standard of our money, this convenience ought to be afforded to the public.

average price of the 24 years before-mentioned, or at the rate of 5s. 4d.* to avoid the inconvenience of fractions; and that a seignorage of 10 per cent. is to be imposed, the plan in contemplation would be, with a currency of five millions, that there should be coined at the mint half a million yearly, for ten successive years.

The following table will show the operation of the seignorage during that period.

* The alteration which has taken place in the relative value of gold to silver, already mentioned, may render it necessary to fix a mint price for silver somewhat lower than that stated above.

A Table of Seignorage upon Coinage of Silver, at 10 per Cent.

*	Amount paid for coining ½ million at 2½ per cent.	Amount of seignorage on £500,000 at 10 per cent.	Amount of surplus on each yearly coinage.	Amount of collective interest on each yearly surplus.	Total.
First Year		50,000			
Deduct for coinage 2½	12,500	12,500	37,500		37,500
Second Year		50,000			
Deduct for coinage	12,500	12,500	37,500	1,875	39,375
Third Year		50,000			
Deduct for coinage	12,500	12,500	37,500	3,843.75	41,343.75
Fourth Year		50,000			
Deduct for coinage	12,500	12,500	37,500	5,910.93	43,410.93
Fifth Year		50,000			
Deduct for coinage	12,500	12,500	37,500	8,081.48	45,581.48
Sixth Year		50,000			
Deduct for coinage	12,500	12,500	37,500	10,360.55	47,860.55
Seventh Year		50,000			
Deduct for coinage	12,500	12,500	37,500	12,753.58	50,253.58
Eighth Year		50,000			
Deduct for coinage	12,500	12,500	37,500	15,266.36	52,766.36
Ninth Year		50,000			
Deduct for coinage	12,500	12,500	37,500	17,904.32	55,404.32
Tenth Year		50,000			
Deduct for coinage	12,500	12,500	37,500	20,674.55	58,174.55
	125,000		375,000	96,670.52	471,670.52

* 2½ per cent. is assumed as the expense of coinage, not with any reference to what the real charge may be, but from its rendering the calculation more distinct.

At the end of ten years, that is to say, when the 10th half million has been one year in circulation, the clear amount of the seignorage fund would be £471,670.

According to experiments made at the mint on the wear of our silver currency (as quoted by Lord Liverpool), it was found that the silver coins of King William's reign had lost about 25 per cent. in a century, which is at the rate of 2½ per cent. every ten years. A silver currency already debased 10 per cent. by a seignorage, should be suffered to receive as little debasement from wear as possible. It may therefore be proper to recall it from circulation when it may have undergone a debasement of 2½ per cent., as no law contributes more to the security of the public against base money, than the newness and uniformity of the coins.

According, therefore, to our plan, supposing for example that the first issue of half a million took place in 1810, each coin bearing that date, another in 1811, another in 1812, &c. &c. until the whole ten half millions were issued, when the half million, first issued, has been in circulation ten years, it is recalled by proclamation, and exchanged for an equal quantity of new coin, bearing date 1820, every annual issue bearing the date of the year in which it was coined. The issue and recall pre-supposes an eleventh half million coined, to be exchanged for the half million just recalled.

The expenses attending this recall and issue would be—loss by wear on the half million recalled, at $2\frac{1}{2}$ per cent.		12,500
Cost of coining the new half million in exchange, at $2\frac{1}{2}$ per cent...		12,500
Together		25,000

This expense to be defrayed as follows:

A year's interest on the seignorage fund, say.......	23,750	
Part of the half million in circulation may have been lost, and of course not being presented for exchange, there will be no occasion to make good the loss by wear on that part. Suppose it to be a twentieth, or £25,000, the sum saved on this, at $2\frac{1}{2}$ per cent. would be...........	625	
Expense of re-coinage saved on that amount at $2\frac{1}{2}$ per cent..............	625	
Together		25,000

Not less than a half a million would be issued of the new coins, but that 25,000 of this new half million not being wanted for the purpose of replacement, the expense of its coinage does not apply to this account.

It is proposed, that the deficiency on the half million recalled should be replaced by the importers

of bullion, and should also bear a seignorage of 10 per cent.

Next year, the second half million issued might be replaced in the same manner, and the yearly routine of recalling half a million of coin ten years old, and re-issuing another half million of new coin, might go on, *ad infinitum*, without calling on the public revenue for a shilling towards defraying the expense.

The eleventh half million necessary to complete this plan, would have a clear surplus of £37,500, it bearing also a seignorage of 10 per cent. The interest on this sum added to the seignorage on the annual supplies, which are estimated at £25,000, will constitute a fund of £4,375 per annum, which may be applied to defray part of the expenses of the mint establishment.

The seignorage fund would probably be invested in the funds, under the management of public commissioners appointed by Government.

The principal advantages resulting from the adoption of such a plan would be:

1. The great public saving on the score of coinage.

2. The abundant stock of silver currency in a state which would be very difficult to counterfeit.

3. Steadiness in the price of silver bullion, as, instead of the present uncertainty of demand for coin, the quantity wanted would be defined, and after the first ten years would probably be insignificant, perhaps from £25,000 to £50,000 per annum.

4. Regularity in the employment of the officers and workmen at the mint. Hitherto their employment has consisted of great temporary exertions, with long intervals of inactivity. During these intervals, their time and attention have been directed to other occupations. Such alternations are evidently unfavourable to the proper management of the establishment. How much more expensive would a large manufacture be if conducted in this manner, than by that even course which adapts supply to demand.

Let us now proceed to anticipate some of the objections that are likely to be made to this plan.

It may be urged that, were the old coins to remain partially in circulation after the issue of the new, frauds might be practised by filing down the new coins to the reduced state of the old, and that if it be determined to recall the whole of the old coins at once, the half million or million proposed to be issued in the first instance, would be a very inadequate substitute. The better plan might be to ascertain, if possible, the present amount of silver coin in circulation, to get ready a correspondent quantity of new coin, to make arrangements for the issue of the new at the same time in different parts of the empire, to prohibit the circulation of the old by proclamation, and to enjoin its speedy transmission to the mint for the purpose of exchange. This plan it would be advisable to follow, although the first year's issue might in consequence be much above a million.

It may be objected also, that the amount of the

seignorage would give encouragement to counterfeiting. It is important to remark, that there are two classes of counterfeiters. One class prepares blanks of copper, or of some other inferior metal, which they face or case with silver or gold leaf of considerable thickness, and afterwards stamp. The other fabricate coin in the way practised at the mint, but with inferior metal. Guineas have been counterfeited in this manner, and are in intrinsic value about 17s. 6d. They are nearly of the weight of the standard guinea, and afford a profit of about 16 per cent. The former class would not be benefited by the imposition of a seignorage: the second would certainly have a considerable advantage by it. However, if guineas chiefly have been forged by this class, the objection does not apply so much to this argument, which regards silver. To answer all such objections, it is perhaps sufficient to observe, that the law should be made more explicit and effectual, it being impossible to stop such frauds, under any system of coinage, so long as the law continues in its present vague and inoperative state.

It may be objected, that a currency, on which a seignorage has been taken, may fall in value below the denomination at which it was issued. The answer is plain; no such depreciation has taken place in consequence of the seignorage of foreign countries, nor has any taken place in our own, although our silver currency has been degraded about 25 per cent. for half a century.

Finally, it may be objected that it would be diffi-

cult to recall the whole of the annual issue from circulation, and that part will remain out through the ignorance or inattention of the holders. The plan would be to give in the first place every facility to the exchange of new coin for old, appointing agents in every considerable town for that purpose, proclaiming a limited time, perhaps a month, for the completion of the proposed exchange, after which time it should cease to be current, and be receivable only on the part of the mint at its intrinsic value. The negligence of the holders would thus be punished with a fine of 12½ per cent., namely 10 per cent. seignorage, and 2½ per cent. wear. The agents for the exchange might be the country Bankers, and their number, as well as the length of time allowed, would admit of each piece being weighed at the time of exchange, which would be a great security, counterfeits being considerably lighter than the lawful coin. As to the expense of this agency, it would be small, and it may be fairly looked on as provided for by the above-mentioned bonus of 12½ per cent. on the part omitted to be sent within the time.

APPENDIX.

THE following Tables contain the market prices of standard gold and silver, showing their relative proportions to each other; with the par and course of exchange, showing the per centage in favour and against London; also the per centage above and below the mint price of gold, from the 1st day of January 1760 to the 1st day of March 1811, both days inclusive; also a quarterly account of Bank of England notes in circulation since 1790, taken from the accounts laid before the committee of secrecy, and from the annual statements laid before the House of Commons.

N. B. The notes under five pounds are included. The prices of gold and silver, and the courses of exchange, have been extracted from Lloyd's lists. The first number, published every two months, has been selected and continued throughout the whole of the Tables.

In the calculations in these Tables, gold has been made choice of as being the principal measure of property, agreeably to the principles laid down in the foregoing Enquiry. They concur in proving, that a debased currency has the effect of raising the price of gold above its mint price—they also concur in a remarkable manner in proving the invariability of the mint price of gold, to which important fact the reader's attention is requested; it is also particularly requested to the effect which the operation of the Bank Restriction Bill has had on the price of gold, and to the actual amount of discount now existing on Bank notes in consequence.

In the first edition of this work I stated the par of exchange with Hamburgh at 33 schillings and 8 grotes, and at that considered it as a fixed par; from the best information which

I have been able to obtain upon 'Change since, 34 11¼ are considered as the par, and in the present edition I have stated it as such. I have also corrected the mistake of considering the par to be fixed; because gold being the standard of the money of England, and silver in Hamburgh, there can be no fixed par between those two countries, it will be subject to all the variations which take place in the relative value of gold and silver. For example, if 34 schillings, 11 grotes and a ¼, of Hamburgh currency be equal in value to a pound sterling, or $\frac{20}{21}$ of a guinea, when silver is 5s. 2d. per oz. they can no longer be so when silver falls to 5s. 1d. or 5s. per oz. because a pound sterling in gold being then worth more silver is also worth more Hamburgh currency.

To find the real par, therefore, we must ascertain what was the relative value of gold and silver when the par was fixed at 34 11¼, and what is the relative value at the time we wish to calculate it.

For example, if the price of standard gold was £3 17 10½ per oz. and silver 5s. 2d. an ounce of gold would then be worth 15.07 ounces of silver, being the mint proportions, 20 of our standard shillings would then contain as much pure silver as 34 schillings, 11 grotes and a ¼; but if the ounce of gold was £3 17 10½ and silver 5s. (which it was on the 2d January, 1798) the ounce of gold would then be worth 15.57 ounces of silver. If £1 sterling in gold at par, therefore, be worth 15.07 times its weight in silver, then at 15.57 it would be at 3 per cent. premium, and 3 per cent. premium on 34 11¼ is 1 schilling, 1 grot and $\frac{9}{10}$, so that the par when gold is to silver as 15.57 to 1 will be 36 schillings, 1 grot and $\frac{1}{10}$.

The above calculation will be more easily made by stating as follows:

As 15,07 : 34. 11¼ :: 15.57 : 36. 1$\frac{1}{10}$.

These Tables satisfactorily prove, that the rate of exchange cannot exceed the expense of transmitting the precious metals

from one country to another. From 1777 to 1797, the period in which we possessed a perfect currency, the yearly average rate of exchange with Hamburgh never exceeded 5 per cent. on either side of the water.*

A comparison of the rates of exchange, from 1760 to 1777, and from 1777 to 1797, will prove the truth of the principle, that a debased currency has the effect of causing an unfavourable exchange.

The reader is requested to pay particular attention to the state of the exchange with Paris during the years 1792 and 3, when from a depreciated currency, caused by an excessive issue of assignats, the exchange was upwards of 85 per cent. in favour of London, even at that early period of the depreciation of French paper. See Appendix, No. 2.

Appendix, No. 3, contains a monthly account of the state of the exchange with Paris, from the 3d day of January, 1809, to the 2d day of April, 1811.

A comparison of the rates of exchange with Hamburgh since the Bank Restriction Bill, with the rates of an equal number of years previous to that period, will sufficiently prove, that our currency is depreciated, that its influence on the rates of exchange accords with the principles laid down in the foregoing Inquiry. The present state of the exchange with Hamburgh and Paris, and the market price of gold, are without precedent in these Tables, and can be accounted for upon no other principle than that of a depreciated circulating medium.

* I cannot help expressing my surprise, that Mr. Bosanquet should not have seen the second edition of this pamphlet, which was published at least six months before his Practical Observations, &c.; in the corrected table of which, calculated upon the principle stated above, he would have found an explanation of those inaccuracies which he has pointed out as having appeared in the first edition respecting the exchange with Hamburgh and Paris. For a further and more particular explanation of these points, I must refer the reader to the very ingenious and masterly reply of M. Ricardo to Mr. Bosanquet's Observations, &c., a work in the highest degree worthy of the attention of every one disposed to be well informed upon this interesting subject.

A Table of the Market Prices of Standard Gold and Silver, showing their relative proportions to each other; with the par and course of Exchange between London and Hamburgh, showing the per centage in favour and against London; also the per centage above and below the mint price of gold, from 1760 inclusive: extracted from Lloyd's Lists, first number every two months.

		Price of standard gold per oz.	Price of standard silver per oz.	Their relative proportions to each other.	Par of exchange with Hamburgh.	Course of exchange with Hamburgh.	Per centage in favour of London.	Per centage against London.	Per centage above the mint price of gold.	Per centage below the min price of gold.
1760	Jan. 1	3 18 6	0 5 6½	14.16 to 1	32. 9.9-10th.	36. 4	10.6-10th.		0 16 0½	
	March 4	3 18 9	0 5 6½	14.21 1	33.11.3	36. 1	10.		1 2 5½	
	May 2	3 19 1	0 5 6	14.37 1	33. 3.7	35. 6	6.5		1 11 0¼	
	July 1	3 19 0	0 5 6⅜	14.28 1	33. 1.2	32. 6		1.9-10th.	1 8 10½	
	Sept. 2	4 0 1	0 5 7¼	14.45 1	33. 6.0	32. 2		4	2 16 8½	
	Nov. 4	3 19 4	0 5 7¾	14.05 1	32. 7.5	31. 8		3	1 17 5¼	
1	Jan. 2	3 18 10	0 5 8½	13.81 1	32. 0.1	32. 0		0.1	1 4 7¼	
	March 3	3 19 8	0 5 8¾	13.90 1	32. 2.6	32. 3	0.1		2 6 0	
	May 1	4 0 0	0 5 9½	13.81 1	32. 0.1	32. 2	0.4		2 14 6¾	
	July 3	4 0 6	0 5 9	14. 1	32. 5.4	31.11		1.4	3 7 5	
	Sept. 1	4 0 6	0 5 7⅝	14.27 1	33. 0.9	32. 5		2	3 7 5	
	Nov. 3	3 19 4	0 5 7⅛	14.18 1	32.10.4	33. 0	0.4		1 17 5¼	
2	Jan. 1	3 19 0	0 5 6¼	14.30 1	33. 1.8	32.11		2.0	1 8 10½	
	March 2	3 18 9	0 5 8½	13.79 1	31.11.6	33. 9	5.5		1 2 5½	
	May 4	3 19 3	0 5 7½	14.09 1	32. 7.9	34. 3	4.8		1 15 3¾	
	July 2	3 19 10	0 5 6	14.50 1	33. 7.3	34. 8	3.1		2 10 3½	
	Sept. 3	3 19 4	0 5 5	14.64 1	33.11.2	35. 0	3.6		1 17 5¼	
	Nov. 2	3 18 10	0 5 4¾	14.61 1	33.10.4	35. 1	3.5		1 4 7¼	
3	Jan. 4	4 0 0	0 5 5¾	14.60 1	33.10.1	34. 2	0.9		2 14 6¾	
	March 1	4 0 6	0 5 5	14.86 1	34. 5.4	33.11		2.1	3 7 5	
	May 3	4 1 3	0 5 8	14.33 1	33. 2.6	34. 2	2.7		4 6 8	
	July 1	4 0 6	0 5 6¼	14.58 1	33. 9.6	34. 3	1.3		3 7 5	
	Sept. 2	4 1 6	0 5 6	14.81 1	34. 4.0	34. 7	0.7		4 13 1¾	
	Nov. 1	3 18 9	0 5 5	14.53 1	33. 8.2	34.11	3.6		1 2 5½	
4	Jan. 3	3 18 3	0 5 4½	14.55 1	33. 8.7	34. 5	1.9		0 9 7½	
	March 2	3 18 3	0 5 3½	14.78 1	34. 3.1	35. 2	2.6		0 9 7½	
	May 1	3 18 3	0 5 3½	14.78 1	34. 3.1	34.11	1.1		0 9 7½	
	July 3	3 18 3	0 5 3½	14.78 1	34. 3.1	35. 1	2.4		0 9 7½	
	Sept. 4	3 18 0	0 5 3½	14.74 1	34. 2.0	35. 0	2.4		0 3 2½	
	Nov. 2	3 18 0	0 5 3½	14.74 1	34. 2.0	35. 1	2.6		0 3 2½	

		Price of standard gold per oz.	Price of standard silver per oz.	Their relative proportion to each other.	Par of exchange with Hamburgh.	Course of exchange with Hamburgh.	Per centage in favour of London.	Per centage against London.	Per centage above the mint price of gold.	Per centage below the mint price of gold.
1765	Jan. 1	3 18 0	0 5 3½	14.74 to 1	34. 2.0-10th.	35. 1	2.6-10th.		0 3 2½	
	March 1	3 18 0	0 5 4¼	14.56 1	33. 9.0	34.10	3.2		0 3 2½	
	May 3	3 18 0	0 5 4¼	14.56 1	33. 9.0	34.11	3.4		0 3 2½	
	July 2	3 18 0	0 5 4¾	14.45 1	33. 6.0	34. 9	3.7		0 3 2½	
	Sept. 3	3 18 8	0 5 5	14.52 1	33. 7.9	34. 4	2.0		1 0 3¾	
	Nov. 1	3 18 2	0 5 5¾	14.26 1	33. 0.6	34. 4	3.7		0 7 5¾	
6	Jan. 3	3 18 7	0 5 5¼	14.34 1	33. 2.9	34. 6	3.7		0 18 2¼	
	March 4	3 18 8	0 5 6½	14.19 1	32.10.7	34. 9	3.1		1 0 3¾	
	May 2	3 19 2	0 5 6½	14.28 1	33. 1.2	34.11	5.4		1 13 .2	
	July 1	3 19 10	0 5 7	14.29 1	33. 1.5	35. 1	5.6		2 10 3½	
	Sept. 2	3 19 0	0 5 7	14.15 1	32. 9.6	35. 3	8.2		1 8 10½	
	Nov. 4	3 19 0	0 5 7¼	14.09 1	32. 7.9	35. 8	8.7		1 8 10½	
7	Jan. 2	3 19 3	0 5 7¼	14.14 1	32. 9.3	35. 6	8.3		1 15 3¾	
	March 3	3 19 4	0 5 7	14.20 1	32.11.	35. 8	8.3		1 17 5¼	
	May 1	3 19 10	0 5 7½	14.19 1	32.10.7	35.10	8.9		2 10 3½	
	July 3	3 19 8	0 5 6¾	14.32 1	33. 2.3	35. 8	7.4		2 6 0	
	Sept. 1	3 19 5	0 5 6½	14.33 1	33. 2.6	35.11	8.1		1 19 7	
	Nov. 3	3 19 5	0 5 6¼	14.38 1	33. 3.10	35. 6	6.5		1 19 7	
8	Jan. 1	3 18 8	0 5 5½	14.41 1	33. 4.8	34.11	4.4		1 0 3¾	
	March 1	3 18 9	0 5 5¾	14.37 1	33. 3.7	34. 4	3.0		1 2 5½	
	May 3	3 19 1	0 5 6½	14.27 1	33. 0.9	34. 8	4.8		1 11 0¼	
	July 1	3 19 6	0 5 6	14.45 1	33. 6.0	34. 7	3.2		2 1 8¾	
	Sept. 2	3 19 6	0 5 6¼	14.40 1	33. 4.6	34. 5	3.0		2 1 8¾	
	Nov. 1	3 19 5	0 5 6½	14.33 1	33. 2.6	33. 6	0.8		1 19 7	
9	Jan. 3	3 19 7	0 5 7	14.37 1	33. 3.7	33. 2		0.5	2 3 10¼	
	March 3	3 19 9	0 5 6¾	14.33 1	33. 2.6	33. 4	0.3		2 8 1¼	
	May 2	4 0 3	0 5 7	14.32 1	33. 2.3	33. 8	1.4		3 1 0	
	July 4	4 0 8	0 5 7	14.44 1	33. 5.7	33. 6		0.07	3 11 8¼	
	Sept. 1	4 0 4	0 5 7½	14.28 1	33. 1.2	33. 6	1.2		3 3 1½	
	Nov. 3	4 0 6	0 5 7¾	14.25 1	33. 0.4	33. 1	0.1		3 7 5	

		Price of standard gold per oz.	Price of standard silver per oz.	Their relative proportions to each other.	Par of exchange with Hamburgh.	Course of exchange with Hamburgh.	Per centage in favour of London.	Per centage against London.	Per centage above the mint price of gold.	Per centage below the mint price of gold.
1770	Jan. 2	4 0 6	0 5 7¾	14.25 to 1	33. 0.4-10th.	33. 2	0.4-10th.		3 7 5	
	March 2	4 0 4	0 5 7¼	14.22 1	33.11.5	33. 2	0.6		3 3 1½	
	May 1	4 0 4	0 5 8	14.17 1	32.10.1	33. 3	1.3		3 3 1½	
	July 3	4 0 2	0 5 8	14.11 1	32. 8,5	33. 4	1.9		2 18 10¼	
	Sept. 4	4 0 0	0 5 6½	14.43 1	33. 5,4	33. 2		0.1-10th.	2 14 6¼	
	Nov. 2	3 19 6	0 5 7⅛	14.15 1	32. 9.6	33. 5	1.8		2 1 8¾	
1	Jan. 1	3 18 9	0 5 7	14.10 1	32. 8.2	33. 8	3.5		1 2 5½	
	March 1	3 18 10	0 5 7½	14. 0 1	32. 5.4	33. 9	4.		1 4 7¼	
	May 3	3 19 2	0 5 7¼	14. 2 1	32. 6.0	33. 6	1.5		1 13 2	
	July 2	3 19 9	0 5 7¼	14.23 1	32.11.8	33.	0.05		2 8 1¾	
	Sept. 3	4 0 8	0 5 7¼	14.39 1	33. 4.3	32.11		1.4	3 11 8¼	
	Nov. 1	4 0 7	0 5 7½	14.32 1	33. 2.3	32. 9		1.4	3 9 6½	
2	Jan. 3	4 1 0	0 5 7¾	14.34 1	33. 2.9	32. 7		2.0	4 0 3	
	March 3	4 1 0	0 5 8	14.29 1	33. 1.5	32.11		0.7	4 0 3	
	May 1	4 0 9	0 5 8¼	14.19 1	32.10.7	32.10		0.2	3 13 10	
	July 3	4 0 0	0 5 8¼	14. 6 1	32. 7.	33. 4	2.3		2 14 6¾	
	Sept. 1	3 19 0	0 5 5	14.58 1	33. 9.6	33. 5		1.3	1 8 10½	
	Nov. 3	3 18 0	0 5 5½	14.28 1	33. 1.2	33. 8	1.7		0 3 2½	
3	Jan. 5	3 18 0	0 5 4½	14.51 1	33. 7.5	34.	1.1		0 3 2½	
	March 2	3 18 0	0 5 4¾	14.45 1	33. 6.	35.	4.5		0 3 2½	
	May 4	3 17 11	0 5 4	14.60 1	33.10.1	34. 9	2.6		0 1 0¼	
	July 2	3 17 9	0 5 3½	14.69 1	34. 0.1	34.11	2.6			0 3 2½
	Sept. 3	3 17 9	0 5 3½	14.69 1	34. 0,1	34. 8	1.9			0 3 2½
	Nov. 2	3 17 9	0 5 3¼	14.75 1	34. 2.3	34. 9	1.6			0 3 2½
4	Jan. 4	3 17 9	0 5 2½	14.92 1	34. 7.	34. 9	0.4			0 3 2½
	March 1	3 17 9	0 5 2½	14.92 1	34. 7.	34.10	0.7			0 3 2½
	May 3	3 17 9	0 5 3¾	14.63 1	33.11.	34. 7	1.9			0 3 2½
	July 1	3 17 9	0 5 2¼	14.98 1	34. 8.7	34. 9	0.07			0 3 2½
	Sept. 2	3 17 7	0 5 3	14.77 1	34. 2.8	34. 5	0.5			0 7 5¾
	Nov. 1	3 17 7	0 5 4	14.54 1	33. 8.5	34. 2	1.1			0 7 5¾

		Price of standard gold per oz.			Price of standard silver per oz.			Their relative proportions to each other.		Par of exchange with Hamburgh.	Course of exchange with Hamburgh.	Per centage in favour of London.	Per centage against London.	Per centage above the mint price of gold.	Per centage below the mint price of gold.		
1775	Jan. 3	3	17	7	0	5	4	14.54 to	1	33. 8.5-10th.	34. 3	1.6-10th.			0	7	5¾
	March 3	3	17	7	0	5	4½	14.43	1	33. 5.4	34. 5	2.8			0	7	5¾
	May 2	3	17	7	0	5	5	14.32	1	33. 2.3	34. 4	3.4			0	7	5¾
	July 4	3	17	7	0	5	4¼	14.49	1	33. 7.1	34. 5	2.4			0	7	5¾
	Sept. 1	3	17	7	0	5	3½	14.66	1	34. 0.6	34. 4	0.8			0	7	5¾
	Nov. 3	3	17	7	0	5	4¼	14.49	1	33. 7.1	34. 2	1.7			0	7	5¾
6	Jan. 5	3	17	7	0	5	4¼	14.37	1	33. 3.7	34. 1	4.8			0	7	5¾
	March 1	3	17	7	0	5	5¼	14.26	1	33. 0.6	33. 9	2.1			0	7	5¾
	May 3	3	17	7	0	5	6	14.10	1	32. 8.2	33. 8	3.			0	7	5¾
	July 2	3	17	7	0	5	5¾	14.16	1	32. 9.9	33. 3	1.3			0	7	5¾
	Sept. 3	3	17	7	0	5	5½	14.21	1	32.11.3	33. 5	1.4			0	7	5¾
	Nov. 1	3	17	7	0	5	5¼	14.26	1	33. 0.6	33. 1	0.1			0	7	5¾
7	Jan. 3	3	17	7	0	5	7½	13.79	1	31.11.6	33. 2	3.7			0	7	5¾
	March 4	3	17	7	0	5	8	13.69	1	31. 9.9	33. 0	3.6			0	7	5¾
	May 2	3	17	7	0	5	6¾	13.91	1	32. 2.9	32.10	1.8			0	7	5¾
	July 1	3	17	7	0	5	7½	13.79	1	31.11.6	32. 7	1.8			0	7	5¾
	Sept. 2	3	17	7	0	5	6¼	14.05	1	32. 7.5	32. 2	1.4			0	7	5¾
	Nov. 4	3	17	7	0	5	7¾	13.74	1	31.10.2	32. 1	0.7			0	7	5¾
8	Jan. 2	3	17	7	0	5	9	13.49	1	31. 3.2	32. 4	3.4			0	7	5¾
	March 3	3	17	7	0	5	8½	13.59	1	31. 6.	32. 9	4.			0	7	5¾
	May 1	3	17	7	0	5	5½	14.21	1	32.11.3	34. 2	3.7			0	7	5¾
	July 3	3	17	7	0	5	4½	14.43	1	33. 5.4	34. 7	3.3			0	7	5¾
	Sept. 1	3	17	7	0	5	4½	14.43	1	33. 5.4	34. 5	2.8			0	7	5¾
	Nov. 3	3	17	7	0	5	3¾	14.60	1	33.10.1	34.10	2.9			0	7	5¾
9	Jan. 1	3	17	7	0	5	2	15.01	1	34. 9.5	35. 6	2.9			0	7	5¾
	March 2	3	17	6	0	5	2¾	14.82	1	34. 4.2	35. 8	4.8			0	9	7½
	May 4	3	17	6	0	5	2½	14.88	1	34. 5.9	36. 2	4.8			0	9	7½
	July 2	3	17	6	0	5	3	14.76	1	34. 2.5	35.10	4.7			0	9	7½
	Sept. 3	3	17	6	0	5	4½	14.41	1	33. 4.8	33. 9	1.			0	9	7½
	Nov. 9	3	17	6	0	5	3½	14.64	1	33.11.2	34. 4	1.1			0	9	7½

			Price of standard gold per oz.	Price of standard silver per oz.	Their relative proportions to each other.	Par of exchange with Hamburgh.	Course of exchange with Hamburgh.	Per centage in favour of London.	Per centage against London.	Per centage above the mint price of gold.	Per centage below the mint price of gold.
1780	Jan.	4	3 17 6	0 5 3	14.76 to 1	34. 2.5-10th.	34. 6	0.8-10th.			0 9 7½
	March	3	3 17 6	0 5 2½	14.88 1	34. 5.9	35. 7	3.1			0 9 7½
	May	2	3 17 6	0 5 6	14.09 1	32. 7.9	35. 2	7.6			0 0 7½
	July	4	3 17 6	0 0 0			34. 8				0 9 7½
	Sept.	1	3 17 6	0 5 5¼	14.25 1	33. 0.4	34. 1	3.2			0 9 7½
	Nov.	3	3 17 6	0 5 5	14.30 1	33. 1.8	33.10	2.0			0 9 7½
1	Jan.	2	3 17 6	0 5 5½	14.19 1	32.10.7	34. 1	3.6			0 9 7½
	March	2	3 17 6	0 5 5¾	14.14 1	32. 9.3	33.11	3.4			0 9 7½
	May	1	3 17 6	0 5 7½	13.77 1	31.11	33. 7	5.2			0 9 7½
	July	3	3 17 6	0 5 7⅞	13.70 1	31. 1.1	32. 1	3.1			0 9 7½
	Sept.	4	3 17 6	0 5 8½	13.57 1	31. 5.5	32. 2	2.2			0 9 7½
	Nov.	2	3 17 6	0 5 10	13.28 1	30. 9.4	31.11	3.6			0 9 7½
2	Jan.	1	3 17 6	0 5 9½	13.38 1	31. 0.2	31. 9	2.3			0 9 7½
	March	1	3 17 6	0 5 9¾	13.33 1	30.10.8	32.10	6.2			0 9 7½
	May	3	3 17 6	0 5 10¾	13.14 1	30. 4.7	32.11	8.3			0 9 7½
	July	2	3 17 6	0 5 8	13.67 1	31. 8.2	32.11	3.8			0 9 7½
	Sept.	3	3 17 9	0 5 9½	13.42 1	31. 1.3	32. 6	4.4			0 3 2½
	Nov.	1	3 17 9	0 5 11½	13.04 1	30. 2.7	31. 8	4.7			0 3 2½
3	Jan.	3	3 17 9	0 5 8	13.72 1	31. 9.6	32. 7	2.4			0 3 2½
	March	4	3 17 9	0 5 9½	13.42 1	31. 1.3	32. 5	4.2			0 3 2½
	May	2	3 18 0	0 5 10¼	13.32 1	30.10.5	31. 9	2.8		0 3 2½	
	July	1	3 18 0	0 5 10	13.37 1	30.11.9	31. 6	1.6		0 3 2½	
	Sept.	2	3 18 0	0 5 8½	13.66 1	31. 7.9	31. 6		0.5	0 3 2½	
	Nov.	4	3 18 0	0 5 6¾	14.02 1	32. 6	32. 9	0.7		0 3 2½	
4	Jan.	2	3 18 0	0 5 5½	14.29 1	33. 1.5	33. 6	1.1		0 3 2½	
	March	2	3 18 0	0 5 5	14.40 1	33. 4.6	33. 9	1.1		0 3 2½	
	May	4	3 17 10½	0 5 3¼	14.77 1	34. 2.8	34. 4	0.2			
	July	2	3 17 10½	0 5 3½	14.74 1	34. 2	34. 4	0.4			
	Sept.	3	3 17 10½	0 5 3¼	14.77 1	34. 2.8	34. 7	1.0			
	Nov.	2	3 17 10½	0 5 2¼	14.89 1	34. 6.2	34. 8	0.4			

		Price of standard gold per oz.	Price of standard silver per oz.	Their relative proportions to each other.	Par of exchange with Hamburgh.	Course of exchange with Hamburgh.	Per centage in favour of London.	Per centage against London.	Per centage above the mint price of gold.	Per centage below the mint price of gold.
1785	Jan. 7	3 17 10½	0 5 2¾	14.89to1	34. 6. 2-10th.	35. 0	1.4-10th.			
	March 1	3 17 10½	0 5 2	15.07 1	34.11.25	35. 4	1.1			
	May 3	3 17 10½	0 5 2½	14.95 1	34. 7. 9	34.11	0.7			
	July 1	3 17 9	0 0 0			35. 6				0 3 2½
	Sept. 2	3 17 6	0 5 1½	15.12 1	35. 0. 6	35. 4	0.8			0 9 7½
	Nov. 1	3 17 6	0 5 1½	15.12 1	35. 0. 6	35. 3	0.5			0 9 7½
6	Jan. 3	3 17 6	0 5 2¾	14.82 1	34. 4. 2	34.10	1.1			0 9 7½
	March 3	3 17 6	0 5 3¼	14.70 1	34. 0. 9	34.11	2.4			0 9 7½
	May 2	3 17 6	0 5 3½	14.64 1	33.11. 2	34. 5	1.4			0 9 7½
	July 4	3 17 6	0 5 3¾	14.58 1	33. 9. 6	34. 3	1.3			0 9 7½
	Sept. 1	3 17 6	0 5 3	14.76 1	34. 2. 5	34. 3	0.1			0 9 7½
	Nov. 3	3 17 6	0 5 2¾	14.89 1	34. 6. 2	34. 6		0.1		0 9 7½
7	Jan. 2	3 17 6	0 5 2¾	14.89 1	34. 6. 2	34. 5		0.1		0 9 7½
	March 2	3 17 6	0 5 3¼	14.70 1	34. 0. 9	34. 7	4.0			0 9 7½
	May 1	3 17 6	0 5 3¼	14.70 1	34. 0. 9	34. 7	4.0			0 9 7½
	July 3	3 17 6	0 5 3¾	14.58 1	33. 9. 6	34. 8	2.5			0 9 7½
	Sept. 4	3 17 6	0 5 3¼	14.58 1	33. 9. 6	35. 0	3.5			0 9 7½
	Nov. 2	3 17 6	0 5 3¼	14.70 1	34. 0. 9	35. 1	2.9			0 9 7½
8	Jan. 1	3 17 6	0 5 3¾	14.58 1	33. 9. 6	35. 1	3.8			0 9 7½
	March 4	3 17 6	0 5 3¾	14.58 1	33. 9. 6	35. 3	4.2			0 9 7½
	May 2	3 17 6	0 5 3¼	14.58 1	33. 9. 6	35. 4	4.5			0 9 7½
	July 1	3 17 6	0 5 3¾	14.58 1	33. 9. 6	35. 1	3.8			0 9 7½
	Sept. 2	3 17 6	0 5 3¾	14.58 1	33. 9. 6	35. 0	3.5			0 9 7½
	Nov. 4	3 17 6	0 5 3¾	14.58 1	33. 9. 6	34. 9	2.8			0 9 7½
9	Jan. 6	3 17 6	0 5 3¾	14.58 1	33. 9. 6	34.10	3.0			0 9 7½
	March 3	3 17 6	0 5 3½	14.64 1	33.11. 2	35. 1	3.1			0 9 7½
	May 1	3 17 6	0 5 3¼	14.70 1	34. 0. 9	35. 6	4.1			0 9 7½
	July 3	3 17 6	0 5 3	14.76 1	34. 2. 5	35. 7	4.0			0 9 7½
	Sept. 1	3 17 6	0 5 2¾	14.89 1	34. 6. 2	35. 5	2.6			0 9 7½
	Nov. 3	3 17 6	0 5 2¾	14.89 1	34. 6. 2	35. 1	1.6			0 9 7½

Year	Month	Day	Price of standard gold per oz.	Price of standard silver per oz.	Their relative proportion to each other.	Par of exchange with Hamburgh.	Course of exchange with Hamburgh.	Per centage in favour of London.	Per centage against London	Per centage above the mint price of gold.	Per centage below the mint price of gold.	Amount of Bank of England notes in circulation.
1790	Jan.	29	3 17 6	0 5 2½	14.88to1	34. 5.9-10th.	35.	1.4-10th.			0 9 7½	10,245,280
	March	2	3 17 6	0 5 2½	14.88 1	34. 5.9	35. 2	1,9			0 9 7½	
	May	4	3 17 6	0 5 3¼	14.70 1	34. 0.9	35. 4	3.7			0 9 7½	11,160,590
	July	2	3 17 6	0 5 3	14.76 1	34. 2.5	35. 7	4.			0 9 7½	11,348,700
	Sept.	3	3 17 6	0 5 2½	14.88 1	34. 5.9	35. 6	2.9			0 9 7½	
	Nov.	2	3 17 6	0 5 2½	14.88 1	34. 5.9	35. 7	3.1			0 9 7½	11,510,270
1	Jan.	4	3 17 6	0 5 3	14.76 1	34. 2.5	35. 6	3.7			0 9 7½	11,601,950
	March	1	3 17 6	0 5 3	14.76 1	34. 2.5	35.10	4.7			0 9 7½	
	May	3	3 17 6	0 5 3¼	14.70 1	34. 0.9	35.11	5.4			0 9 7½	12,060,620
	July	1	3 17 6	0 5 2¾	14.82 1	34. 4.2	35.10	5.1			0 9 7½	11,764,680
	Sept.	2	3 17 6	0 5 2¼	14.94 1	34. 7.6	35. 6	2.5			0 9 7½	
	Nov.	1	3 17 6	0 5 3½	14.64 1	33.11.2	35. 2	3.6			0 9 7½	11,225,840
2	Jan.	3	3 17 6	0 5 4	14.53 1	33. 8.2	34. 6	2.4			0 9 7½	11,239,170
	March	2	3 17 6	0 5 4½	14.41 1	33. 4.8	34. 6	3.2			0 9 7½	
	May	1	3 17 6	0 5 5¼	14.25 1	33. 0.4	34. 3	3.7			0 9 7½	11,765,280
	July	3	3 17 6	0 5 6	14.09 1	32. 7.9	34. 5	5.4			0 9 7½	11,316,790
	Sept.	4	3 17 6	0 5 5	14.30 1	33. 1.8	34. 0	2.5			0 9 7½	
	Nov.	2	3 17 6	0 0 0			34. 3	0.0			0 9 7½	11,157,040
3	Jan.	1	3 17 6	0 5 4¼	14.36 1	33. 3.4	35. 4	6.1			0 9 7½	11,963,820
	March	1	3 17 6	0 5 2½	14.88 1	34. 5.9	36. 7	6.0			0 9 7½	
	May	3	3 17 6	0 5 2½	14.88 1	34. 5.9	37. 6	8.7			0 9 7½	12,100,650
	July	2	3 17 6	0 5 1	15.24 1	35. 3.9	37. 2	5.2			0 9 7½	10,938,620
	Sept.	3	3 17 6	0 5 1½	15.12 1	35. 0.6	36. 0	2.7			0 9 7½	
	Nov.	1	3 17 6	0 5 1½	15.12 1	35. 0.6	35. 3	0.5			0 9 7½	10,967,310
4	Jan.	3	3 17 6	0 5 1½	15.12 1	35. 0.6	35. 9	2.0			0 9 7½	11,159,720
	March	4	3 17 6	0 5 1	15.24 1	35. 3.9	36. 4	2.8			0 9 7½	
	May	2	3 17 6	0 5 1¼	15.18 1	35. 2.3	36. 7	4.0			0 9 7½	10,366,450
	July	1	3 17 6	0 5 2	15. 1	34. 9.3	35. 6	2.1			0 9 7½	10,343,940
	Sept.	2	3 17 6	0 5 1	15.24 1	35. 3.9	35. 0		1.0		0 9 7½	
	Nov.	4	3 17 6	0 5 1	15.24 1	35. 3.9	34. 5		2.6		0 9 7½	10,927,970

		Price of standard gold per oz.	Price of standard silver per oz.	Their relative proportions to each other.	Par of exchange with Hamburgh.	Course of exchange with Hamburgh.	Per centage in favour of London.	Per centage against London.	Per centage above the mint price of gold.	Per centage below the mint price of gold.	Amount of Bank of England notes in circulation.
1795	Jan. 2	3 17 6	0 5 2¼	14.94 to 1	34. 7.6-10th.	34. 6		0 4-10th.		0 9 7½	12,432,240
	March 3	3 17 6	0 5 1	15.24 1	35. 3.9	35.10	1.4			0 9 7½	10,912,680
	May 1	3 17 6	0 5 1	15.24 1	35. 3.9	34. 4		2.8		0 9 7½	
	July 3	3 17 6	0 5 3½	14.64 1	33.11.2	32.10		3.3		0 9 7½	11,034,790
	Sept. 1		0 5 5½			32. 6					11,608,670
	Nov. 3		0 5 5			32.10					
6	Jan. 1		0 5 5½			32. 7					10,824,150
	March 1		0 5 5½			33. 2					10,770,200
	May 3		0 5 5			33.10					
	July 1		0 5 6			33. 7					9,720,440
	Sept. 2	3 17 6	0 5 3½	14.64 1	33.11.2	33. 7		1.		0 9 7½	9,645,710
	Nov. 1	3 17 6	0 5 3½	14.64 1	33.11.2	34. 7	1.9			0 9 7½	
7	Jan. 3	3 17 6	0 5 5	14.30 1	33. 1.8	35. 6	7.				
	March 3	0 0 0	0 5 6½			34. 9				0 9 7½	11,103,880
	May 2	3 17 6	0 5 6	14.09 1	32. 7.9	36.	10.			0 9 7½	
	July 4	3 17 6	0 0 0			36. 6				0 9 7½	10,828,880
	Sept. 1	3 17 10½	0 5 1	15.31 1	35. 5.9	38.	7.				11,641,400
	Nov. 3	3 17 10½	0 5 0½	15.44 1	35. 9.5	38.	7.				
8	Jan. 2	3 17 10½	0 5 0	15.57 1	36. 1.1	38. 2	5.7				13,043,480
	March 2	3 17 10½	0 0 0			37. 5					13,234,440
	May 1	3 17 10½	0 5 1½	15.19 1	35. 2.5	37. 8	7.				
	July 3	3 17 10½	0 5 1	15.31 1	35. 5.9	37.10	6.6				12,115,640
	Sept. 4	3 17 10½	0 5 1	15.31 1	35. 5.9	37. 6	5.6				12,441,070
	Nov. 2	3 17 9	0 5 0½	15.46 1	35.10.0	37.10	5.6			0 3 2½	
9	Jan. 1	3 17 9	0 5 2	15.05 1	34.10.5	37. 7	7.7			0 3 2½	13,202,460
	March 1	3 17 9	0 0 0			37. 7				0 3 2½	13,720,260
	May 3	3 17 9	0 5 2	15.05 1	34.10.5	35. 6	1.8			0 3 2½	
	July 2	3 17 9	0 5 6			36.				0 3 2½	13,759,940
	Sept. 3	3 17 9	0 0 0			33. 4				0 3 2½	14,006,960
	Nov. 1	0 0 0	0 5 8			32. 6					

		Price of standard gold per oz.*	Price of standard silver per oz.	Their relative proportions to each other.	Par of exchange with Hamburgh.	Course of exchange with Hamburgh.	Per centage in favour of London.	Per centage against London.	Per centage above the mint price of gold.	Per centage of discount on Bank notes.	Amount of Bank of England notes in circulation.
1800	Jan. 3		0 5 7			32.					15,110,060
	March 4		0 5 9½			31. 4					
	May 2		0 5 9½			32. 5					15,213,520
	July 1	4 5 0	0 5 10	14.57 to 1	33. 9.3	32. 6		3.8	9 2 11¾	8 7 7¾	15,230,410
	Sept. 2	4 5 0	0 5 9½	14.68 1	34. 0.4	32. 2		5.5	9 2 11¾	8 7 7¾	
	Nov. 4	4 5 0	0 5 9½	14.68 1	34. 0.4	31.10		6.5	9 2 11¾	8 7 7¾	15,450,970
1	Jan. 2	4 6 0	0 5 10½	14.64 1	33.11.2	29. 8		12.6	10 8 8	9 8 11¼	16.365,206
	March 3		0 6 0½			31. 7			5 18 9¼	5 12 1¼	No account of the Bank notes in circulation appears to have been presented for this year, subsequent to March 25.
	May 1	4 3 0	0 6 1½	13.74 1	31.10.	31. 6		1.	9 2 11¾	8 7 7¾	
	July 2		0 6 0½			31. 6					
	Sept. 1		0 6 0½			31. 7					
	Nov. 3		0 5 11			32. 6					
2	Jan. 1					32. 2					
	March 2	4 3 6	0 5 11½	14.01 1	32. 5.7	32. 3		0.7	7 4 5½	6 14 8¾	
	May 4		0 5 9½			32. 8					15,956,016
	July 2					33. 3					16,747,300
	Sept. 3		0 5 6			33. 3					16,141,636
	Nov. 2		0 5 6			33. 5					15,838,410
3	Jan. 4		0 5 7			34.					
	March 1		0 5 7½			34. 5					16,101,140
	May 3		0 5 8			34. 4					16,734,510
	July 1					34. 4					
	Sept. 2		0 5 6			32.10					16,622,510
	Nov. 1		0 5 7½			34. 4					
4	Jan. 3		0 5 8½			34.10					17,931,930
	March 2		0 5 9½			35.					17,274,493
	May 1					35. 9					18,033,383
	July 3	4 0 0	0 5 6	14.54 1	33. 8.5	35. 8	5.8		2 14 6¾	2 13 1½	
	Sept. 4	4 0 0	0 5 4	15. 1	34. 9.3	35.10	3.		2 14 6¾	2 13 1½	17,194,133
	Nov. 2	4 0 0	0 5 2½	15.36 1	35. 7.3	35. 6		0.3	2 14 6¾	2 13 1½	16,881,306

* Standard gold and silver in bars are not regularly quoted after this date: Portugal gold in coin, being nearly of the same standard, has in several instances been quoted as standard gold; when the coins of any other nation are quoted they are marked as such. In those instances where standard silver is not quoted, the deficiency has been supplied by adding 2½d. to the ounce of new dollars, the reputed difference in the value of the two standards.

1805	Jan. 1	4 0 0	0 5 6½	14.44to1	33. 5.7-10th.	35. 6	6.0-10th.		2 14 6½	2 13 1½	
	March 1	4 0 0	0 5 6½	14.44 1	33. 5.7	35. 8	6.5		2 14 6¼	2 13 1½	18,407,880
	May 3	4 0 0	0 5 4½	14.88 1	34. 5.9	35. 5	2.6		2 14 6¼	2 13 1½	
	July 2	4 0 0	0 5 5½	14.65 1	33.11.5	35. 8	5.0		2 14 6¼	2 13 1½	17,367,740
	Sept. 3	4 0 0				35. 5			2 14 6¼	2 13 1½	16,449,020
	Nov. 5		0 5 8½			32. 9					
6	Jan. 3					33. 3					16,753,490
	March 4		0 5 8½			34. 2					17,293,070
	May 2		0 5 9			33. 8					
	July 1		0 5 7½			34. 5					17,085,150
	Sept. 2		0 5 7½			34. 4					17,281,330
	Nov. 4					33.10					
7	Jan. 2		0 5 8			34. 8					17,049,720
	March 3		0 5 8			34.10					16,618,390
	May 1		0 5 7½			34.10					
	July 3		0 5 6			34. 3					17,536,400
	Sept. 4		0 5 7½			34. 3					17,748,400
	Nov. 6		0 5 7½			34. 4					
8	Jan. 1					34. 4					16,930,200
	March 1					34. 6					17,573,100
	May 3					34. 9					
	July 1		0 5 5½			35. 8					17,491,900
	Sept. 2					34. 8					17,644,670
	Nov. 1					32. 9					17,466,170
9	Jan. 3		0 5 7½			31. 3					
	March 3	4 10 0	0 5 5½	16.49 1	38. 2.7	31. 0		18.9	15 11 4¾	13 8 7½	17,970,285
	May 2	4 11 0	0 5 6½	16.42 1	38. 0.8	30. 6		19.9	17 2 7¼	14 8 5½	18,327,555
	July 4	*4 12 10½	0 5 8½	16.27 1	37. 8.6	28. 6		24.5	19 5 9¼	16 3 0	
	Sept. 5	†4 9 10½	0 5 8½	15.74 1	36.10.9	29. 0		21.4	15 8 2	13 7 0¼	19,436,800
	Nov. 3		0 5 9½			28. 6					19,742,998
1810	Jan. 2		0 5 7½			29. 3					
	March 6	‡4 11 10½	0 5 9	16.	36.11.1	29. 4		20.6	17 19 6½	15 4 9	20,457,480
	May 1		0 5 9½			31. 1					20,239,880
	July 3					30. 2					
	Sept. 4					31. 0					21,098,646
	Nov. 2					29. 4					
1811	Jan. 1					26. 6					23,592,968
	March 1	4 13 6				24. 0			20 1 3¼	16 14 2½	23,968,458
	April 5	§5 0 10½	0 6 2	16.52	38. 3.5	23. 6		38.7	29 10 8¼	22 15 2¾	‖23,086,457

* The Gold quoted this month is Doubloons, at - - - - - - - - - - - - - - - £4 8 0

To which add the difference of value between an ounce of English Gold Coin and an ounce of Doubloons (a) - - - 0 4 10½

† Doubloons. ‡ Doubloons. § Doubloons. ‖ The average amount in circulation in Jan. and Feb. 1811. £4 12 10½

(a) Ede's View of Foreign Gold Coins, p. 39.

APPENDIX. No. II.

A Monthly Account of the market prices of standard gold and silver, showing their relative proportions to each other, with the par, course, and rates of exchange between London and Paris, from the 3d day of January 1792, to the 3d day of December 1793, both inclusive, extracted from Lloyd's Lists.

			Price of standard gold per oz.	Price of standard silver per oz.	Their relative proportions to each other.		Par of exchange with Paris.*	Course of exchange with Paris at sight.	Per centage in favour of London.	Per centage against London.
1792	Jan.	3	3 17 6	0 5 4	14.53	to 1	$28.\frac{1}{4}$	$19.\frac{1}{4}$	$31.\frac{9}{10}$	
	Feb.	3	3 17 6	0 5 4	14.53	1	$28.\frac{1}{4}$	$17.\frac{3}{8}$	$39.\frac{5}{10}$	
	March	2	3 17 6	0 5 4½	14.41	1	28	$15.\frac{1}{4}$	$45.\frac{6}{10}$	
	April	3	3 17 6	0 5 5	14.3	1	$27.\frac{3}{4}$	$17.\frac{1}{2}$	37.	
	May	1	3 17 6	0 5 5¼	14.25	1	$27.\frac{1}{2}$	$17.\frac{1}{2}$	$36.\frac{4}{10}$	
	June	1	3 17 6	0 5 6	14.09	1	$27.\frac{1}{4}$	$17.\frac{1}{2}$	$35.\frac{8}{10}$	
	July	3	3 17 6	0 5 6	14.09	1	$27.\frac{1}{4}$	18	34.	
	August	3	3 17 6	0 5 5	14.3	1	$27.\frac{3}{4}$	$17.\frac{1}{4}$	$37.\frac{9}{10}$	
	Sept.	4	3 17 6	0 5 5	14.3	1	$27.\frac{3}{4}$	$19.\frac{3}{4}$	$28.\frac{9}{10}$	
	Oct.	2	3 17 6	0 5 5	14.3	1	$27.\frac{3}{4}$	$18.\frac{1}{4}$	$34.\frac{3}{10}$	
	Nov.	2	3 17 6	0 0 0				$19.\frac{3}{4}$		
	Dec.	4	3 17 6	0 5 4¾	14.36	1	$27.\frac{3}{4}$	$19.\frac{3}{4}$	$28.\frac{9}{10}$	
1793	Jan.	1	3 17 6	0 5 4¾	14.36	1	$27.\frac{3}{4}$	17	$38.\frac{8}{10}$	
	Feb.	1	3 17 6	0 5 5	14.3	1	$27.\frac{3}{4}$	$14.\frac{3}{4}$	$46.\frac{9}{10}$	
	March	1	3 17 6	0 5 2½	14.88	1	$28.\frac{1}{2}$	15	$47.\frac{4}{10}$	
	April	2	3 17 6	0 5 2½	14.88	1	$28.\frac{1}{2}$	12	$57.\frac{9}{10}$	
	May	3	3 17 6	0 5 2½	14.88	1	$28.\frac{1}{2}$			
	June	4	3 17 6	0 5 1½	15.12	1	$29.\frac{1}{4}\frac{1}{10}$			
	July	2	3 17 6	0 5 1	15.24	1	$29.\frac{1}{2}$	9	$69.\frac{5}{10}$	
	August	2	3 17 6	0 5 1	15.24	1	$29.\frac{1}{2}$	$4.\frac{1}{4}$	$85.\frac{6}{10}$	
	Sept.	3	3 17 6	0 5 1½	15.12	1	$29.\frac{1}{4}\frac{3}{10}$	$7.\frac{3}{4}$	$73.\frac{6}{10}$	
	Oct.	1	3 17 6	0 5 1½	15.12	1	$29.\frac{1}{4}\frac{3}{10}$	9	$69.\frac{4}{10}$	
	Nov.	1	3 17 6	0 5 1½	15.12	1	Intercourse with France			
	Dec.	3	3 17 6	0 0 0			ceased at this period.			

* The par of exchange between London and Paris has been fixed at 29½d. See Lord King on the Restriction Bill, p. 150, 2d edition.

APPENDIX. No. III.

A Monthly Account of the market prices of standard gold and silver, their relative proportions to each other, with the par, course, and rates of exchange between London and Paris, from the 3d day of January 1809, to the 5th day of April 1811, both included: extracted from Lloyd's Lists.

			Price of standard gold per oz.			Price of standard Silver per oz.			Their relative proportion to each other.	Par of exchange with Paris.	Course of exchange with Paris one day's date.	Per centage in favour of London.	Per centage against London.
1809	Jan.	3	0	0	0	0	5	7½			22. 4		
	Feb.	3	0	0	0	0	0	0			22. 4		
	March	3	4	10	0	0	5	5½	16.49 to 1	26. 5	20.19		20.
	April	4	4	11	0	0	5	7½	16.18 1	25.15	20.19		18. 7/10
	May	2	4	11	0	0	5	6½	16.42 1	26. 3	20.19		19. 2/10
	June	2	4	10	0	0	5	7½	16. 1	25. 9	20. 1		21. 1/10
	July	4	4	12	10½	0	5	8½	16.27 1	25.18	20. 1		22. 6/10
	August	1	0	0	0	0	5	9½			20. 1		
1810	Sept.	5	4	9	10½	0	5	8½	15.74 1	25. 1	20. 1		20.
	Oct.	3	0	0	0	0	0	0			20. 1		
	Nov.	3	0	0	0	0	5	9½			19. 6		
	Dec.	1	0	0	0	0	0	0			19.16		
	Jan.	2	0	0	0	0	5	7½			19.16		
	Feb.	13	4	12	10½	0	5	8½	16.27 1	25.18	19.10		24. 8/10
	March	6	4	11	10½	0	5	9	15.97 1	25. 9	19.16		22. 4/10
	April	3	0	0	0	0	0	0			21.16		
	May	1	0	0	0	0	5	9½			21.11		
	June	1	4	11	0	0	5	10½	15.42 1	24.11	21.16		11. 3/10
	July	3	0	0	0	0	0	0			21. 1		
	August	3	0	0	0	0	0	0			21. 1		
	Sept.	4	0	0	0	0	0	0			21. 6		
	Oct.	2	4	13	10½	0	5	11	15.86 1	25. 5	21. 8		15. 3/10
	Nov.	2	0	0	0	0	0	0			20. 6		
	Dec.	7	0	0	0	0	0	0			20. 2		
1811	Jan.	1	0	0	0	0	0	0			19. 8		
	Feb.	1	4	11	0	0	5	11½	15.13 1	24. 2	17.16		26. 2/10
	March	1	4	13	6	0	0	0			17.16		
	April	5	5	0	10½	0	6	2	16.52	26. 6	17. 6		34. 1/10

In the above calculations I have considered the par between London and Paris to be 24 livres to the pound sterling, which I am informed is the reputed par on the London exchange.

It appears by the table of the intrinsic par of exchange presented by Dr. Kelly to the Bullion Committee, that the real par in Paris new coins by assay is 25 liv. 4 s. 5 den. or 24 fr. 91 cents.

APPENDIX. No. IV.

A Reply to Mr. Grenfell's Examination of the Tables of Exchange annexed to the first Edition of this Work.

Mr. Grenfell, in a Postscript to his Defence of Bank Notes, has given an examination of the Tables of Exchange annexed to the first edition of this work, by which he has endeavoured to prove, that Bank notes are not depreciated; because since 1797, the pound sterling in England has exchanged for more than 33 shillings, 8 grotes, that being stated as the par between the two countries. If Mr. G. had put himself to the trouble to have made the same experiment on the thirteen years immediately preceding the Restriction Bill, that he has made on those that followed, that never-to-be-forgotten era, he would have found, that in the former period the pound sterling in England had really exchanged for 34s. 10½gr.; so that according to Mr. Grenfell's own principle, the currency of this country must have undergone a depreciation of 10½ grotes since that time, or about 2½ per cent., because an equal quantity of it has not exchanged for a like quantity of Hamburgh currency.

As the principle which Mr. G. has assumed may have a tendency to mislead those who are interested in the Defence of Bank Notes, it will be necessary to expose the fallacy

and absurdity of it. In the commencement of the seventh chapter of the first edition of this work, I have stated that, "the currency of a country is said to be depreciated when a given quantity of it will no longer exchange for a like quantity of that of another country; for example, if the circulating medium of England was reduced in value $\frac{1}{10}$th below its standard, and recognized level, while that of Hamburgh remained stationary, the pound sterling of England would not exchange for 33s. 8gr. but for $\frac{1}{10}$th less." The meaning of this passage, although it appeared to me sufficiently perspicuous, is not understood by Mr. Grenfell, and his misunderstanding has led him to conclude that, "the currency of this country has not been depreciated, because an equal quantity of it has actually been exchanged for rather more than an equal quantity of the currency of another country."

It is necessary, on this account, to explain the passage just cited.

If the guineas of England, which are admitted to be the standard of our currency, were diminished one tenth by clipping, it must appear obvious, that a merchant in Hamburgh purchasing a bill upon London, would not give 33s. 8gr. for the gold contained in the pound sterling so diminished; he would give a number of schillings and grotes which would be equal in value to the gold contained in the pound sterling. It will also follow, that if the currency of England, being paper, is reduced in value $\frac{1}{10}$th by an increase in its quantity, a merchant in Hamburgh will not give 33s. 8gr. for the pound sterling, because the pound sterling in the English, or in the Hamburgh market, will not purchase a quantity of silver equal in value to the silver contained in 33s. 8gr.; if it purchase $\frac{1}{10}$th less, then the Hamburgh merchant will only give about 30s. 4gr. for the pound sterling. It is in this manner that a comparison of the

intrinsic values of the respective currencies of two countries will determine the par between them.

Had Mr. Grenfell sufficiently weighed this fundamental principle, I believe he would have paused a little longer before he drew his conclusion that "Bank Notes are not depreciated." But, for the sake of argument, let Mr. G's assumption be admitted, let 33s. 8gr. be taken as the fixed par between London and Hamburgh, that is to say, let the pure silver in 33s. 8gr. be regarded as equal to the pure silver contained in twenty of our standard shillings; these proportions being fixed, any derangement of them, according to Mr. G's principle, must be a depreciation of currency; for example, if the pound sterling has exchanged for 34 schillings, on the average of thirteen years, the currency of England has, during that period, been at a premium of 1 per cent. while that of Hamburgh has been depreciated to that amount. Mr. G's principle proves the very converse of what he wishes and what he pleads for. If the currency of Hamburgh was depreciated when 34 schillings were given for our pound sterling, our pound sterling must be depreciated at present, because Hamburgh will not give more than 28s. 6gr. or 29 schillings for it, constituting an unfavorable exchange, or a depreciation on our currency of about 20 per cent.

It would have been unnecessary to have added more on this subject, but Mr. Grenfell has strayed so very wide of the principle on which the doctrine of favorable or unfavorable exchange depends, that it may be necessary to explain it to him, to show him more clearly the absurdity of the principle which he has advanced.

No exchange in strictness can exist between two countries while the exports from the one balance the imports from the other. For example, if the exports from England to Hamburgh were to the same amount as the imports from that

country to this, the exchange would be at par; bills upon London sold on the Hamburgh exchange would be at par, as would bills on Hamburgh sold on the London exchange. But if the exports of England to Hamburgh amounted to £100,000, while the imports from Hamburgh were only £90,000, a balance of debt would be created between the two countries. As more bills in consequence would be drawn in London upon Hamburgh, than in Hamburgh upon London by £10,000, the bills in London would be naturally at a premium; the merchants in Hamburgh having this debt to pay in London, and being inclined to give a premium upon London bills for the purpose of discharging it. Thus it appears, that it is the scarcity of London bills, and the competition among the Hamburgh merchants to discharge each his debt at the cheapest rate that causes bills on London to sell at a premium. The amount of this premium is the extent of the unfavorable exchange to Hamburgh, and the favorable exchange to London. When all the bills, however, which were drawn in Hamburgh upon London are sold, Hamburgh is still indebted to London £10,000; she has no mode of discharging this debt but by a direct remittance of that sum in gold or silver. The profit of the bullion-merchant, and the expense of freight and insurance are the necessary and unavoidable charges attending the transportation of this metal. But it would be absurd to say, as in the first instance, that because a Hamburgh merchant could pay his debt by giving one or two per cent. premium for a bill on London, or four per cent. for sending gold or silver to pay it, that the currency of Hamburgh was depreciated. It might with equal propriety be affirmed, that a bill remitted by a merchant in Edinburgh to his correspondent in London, was depreciated to the amount of the postage; and with equal justice, it may be said that the signature of a member of the House of Commons could prevent the Edinburgh merchant's bill from being depreciated.

According to the principle whieh I have just explained, our unusual amount of imports from the Baltic during the last year, can have no greater effect upon the rates of exchange with Hamburgh, through which our principal payments to the northern states are made, than the expense of sending the precious metals there; and as Mr. Eliason stated the charge of sending gold to Hamburgh to be £3 12 11d. per cent. in 1797, it certainly cannot now cost upwards of £20, the average of the exchange with Hamburgh against London, during the year 1809.

I must refer Mr. Grenfell to the 8th chapter of the foregoing Inquiry for information respecting the principle which regulates the price of gold not only in the state of coin, but in the state of bullion; and this is the more necessary, as Mr. G. does not seem to be aware that such a principle exists.

THE END.

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He conceives the interposition of parliament, in a variety of ways, to be necessary;—and the great question must be, how an effectual interposition for removing the evil, can be directed in the manner best calculated to prevent a violent shock, from the too sudden sensation of those latent, but daily increasing calamities, which, if not arrested in their progress, must terminate in that convulsive change of property, and consequently of power, that has justly been denominated the ruin of a country.

THE DEPRECIATION OF OUR PAPER CURRENCY PROVED, &c.

IT has been universally admitted, throughout all the numerous publications, to which the Report of the Select Committee of the House of Commons, appointed to inquire into the high price of gold bullion has given rise, that for a length of time a difference of value has existed betwixt coin or gold and the Notes of the Bank of England, amounting to fifteen or sixteen per cent. and more recently, in the opinion of many, exceeding twenty per cent.

Attempts have, indeed, been made to establish a distinction betwixt coin and gold, and to assert that this difference in value is only in reference to gold in bullion, whilst Bank Notes remain in every respect equivalent to the coin of the realm; but this opinion cannot be maintained, for the real value of coin depends, not on a piece of gold being called a guinea, or a piece of silver a shilling, but on the quantity of pure gold or silver it contains;

and we know by experience, that the price of bullion, and the state of exchange with foreign countries, both before and after the re-coinage in 1772, concurred in shewing that our coin passed for its value by weight, without reference to its value in tale.

At all events, such a distinction is unauthorized under the law, as it now stands, because the guineas issued from the mint are, by statute, deprived of the character of coin, if reduced in weight one grain and thirty eighty-nine parts of a grain; and since the recent trial of De Yonge it must appear perfectly nugatory, for, on that occasion, notes were proved to bear to coin the same proportion in value they did to gold, whilst it was decided, that the advantage derived from the sale of coin for a higher denominative value in notes, was no illegal benefit.*

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* Lord Castlereagh, following the opinion of many others who have written on the subject, has stated, p. 13 in his Speech on the Report of the Bullion Committee, that "there is no just "ground to consider the note as depreciated; both the note and "the coin were intended for internal circulation, and for internal "circulation alone: the contingent but illegal profit derived from "diverting the coin from its legitimate purpose, is a species of "value, which the Bank Paper never was, in equity or in fact, "intended to represent. It is only, through the operation of "causes destructive of the established system of our standard "coinage, that this advantage can attach to coin over Bank "Paper. To derive such an illicit benefit is an abuse; and so "far as it may operate at this moment to occasion a disparity of "value between coin and notes, the difference is very incorrect-

"ly

Indeed it is surprising that (before the Act of last session) the legality of selling Bank Notes for coin should have been seriously questioned in a court of law; for in the reign of William III. Bank Notes publicly circulated at a discount as against coin, and though the amount of that discount was as openly stated in the newspapers, as the value of government securities, no doubt ever occurred to the eminent lawyers of that day, on the legality of the transaction.

Without, therefore, entering into further details to repel this groundless distinction, it may be considered as universally admitted, that there has existed, within these last two years, a difference of value betwixt gold or coin and Bank Notes, which has increased rapidly, and now amounts to upwards of twenty per cent.

This circumstance might, perhaps, be deemed sufficient of itself, to authorize the opinion, that the paper of the Bank of England is depreciated;

" ly described under the term of " A depreciation of Bank Pa-
" per."

But this doctrine, which falsely assumes that the value of coin can be regulated by law, by means short of a maximum on the price of commodities, is evidently founded on a misunderstanding of the law; for in the case of De Yonge it was declared to be the opinion of all the judges present, " that the exchange described " on this record, that is, of guineas for Bank Notes, taking such " guineas at a higher value than they were current for, under " the king's proclamation, was not an offence against the 5th and " 6th Edward VI. upon which the indictment was founded."

for though it is true, that a variation in the comparative value of any two commodities, must, when unexplained, give rise to a doubt, whether the change proceeds from an increase in the value of the one, or a diminution in the value of the other; yet it does not appear that such a doubt can arise from a difference betwixt the value of paper and of the coin it represents.

Bank Notes, when differing in value with what they engage to pay on demand, cannot with accuracy be considered as a case of variation in the value of two several commodities. They are only engagements to deliver a certain species of commodity, and do not in themselves possess the character of a commodity.—A Note of the Bank of England, promising to pay one pound sterling on demand, being in truth an obligation to furnish the person who presents it, with a portion of gold certified by the mint stamp to contain one hundred and thirteen grains, troy weight, of pure gold, or a portion of silver, certified, in like manner, to contain seventeen hundred and eighteen grains and seven-tenths of a grain, troy weight, of pure silver; for the former is the quantity of gold that forms a pound sterling by the regulation in 1601, and the latter the quantity of silver forming a pound sterling, as fixed in 1728.*

* The quantity of standard gold and silver in a pound sterling is, of the former 123.273 grains, of the latter 1858.060 grains.

It is, however, strenuously maintained, by men whose habits lead the public to presume great knowledge on the subject, and whose errors, in the situation in which they are placed may produce the greatest national calamities, that the paper of the Bank of England is not diminished in value: that what is only an apparent depreciation of paper proceeds from a real augmentation of the value of gold: and these opinions require the most minute consideration, as they lead to consequences deeply affecting the interest of every individual, as well as the general welfare of the country.

If a note was issued promising to deliver on demand a yard of cloth, and specifying distinctly its quality and its breadth, it is obvious that such a note must partake accurately of the value of the cloth. It could never rise in value above the cloth; its value could never be depressed below that of the cloth, for the variations in its value must be regulated by the value of that article to which it must of necessity be equivalent.

From the habit of using Bank Notes when payable in coin on demand, as a measure of the value of commodities, and of giving them as an equivalent for the commodities so measured, it has been, by the vulgar, conceived, that they may possess a value of their own, differing in degree from that

of the pieces of gold and silver they promise to pay. But a note engaging to deliver a given quantity of gold and silver of a specific fineness, can no more possess value differing from that of the gold or silver it obliges the issuer to pay, than a note promising a yard of cloth, and specifying the breadth and fineness of it, can differ in value from the cloth.

The gold and silver which the one promises to pay, is generally used as a measure for the value of cloth and other commodities:—the cloth which the other promises to deliver is used as a commodity, of which we are accustomed to measure the value by means of gold and silver, the common measure of value resorted to in all civilized countries. We talk, therefore, of buying with the former and of selling the latter; and this mode of habitually expressing ourselves, creates an impression that the value of the gold, which in common transactions we assume to be fixed, is really invariable. Whilst to the cloth, the variations in the value of which we are accustomed to express, we attribute not only the changes of value which it undergoes, but also those that take place in the coin or gold by which it is measured.

This process of erroneous reasoning naturally creates a disposition to transfer the quality of possessing fixed value to notes payable in gold, whilst

on the same principle it gives rise to a feeling that the note promising a yard of cloth, must suffer the same fluctuations in value we are habituated to remark in the article it represents. Though in reality the note promising gold must vary in value with gold, from the power of commanding which it alone derives value, just in the same manner as the note engaging to deliver cloth is regulated by the value of that commodity.

In truth, a Bank of England Note possesses, and can possess no value, differing from, or independent of the coin it engages to pay; to state that it has a positive value varying from that of the coin, is to suppose that it possesses in itself a power of measuring value, and of acting as an equivalent, or, in other words, it is to bestow upon it those attributes which belong to the commodity it engages to deliver.

To maintain that a note promising to deliver a yard of cloth on demand, possessed on that account the qualities of that commodity, and was capable itself of being made into an article of clothing, would excite universal ridicule; yet it is difficult to say, how the reasoning that would lead to that conclusion can be considered as materially differing from the train of argument that must necessarily be resorted to, to vindicate the opinion that a note, promising a quantity of coin on demand, has a power of measuring value differing

from, and unconnected with that of the coin which it promises to pay.

If a person who sold paper was to adopt the practice of giving a small piece of gold, of the weight of seven grains, promising to deliver a quire of paper on demand, it is certain that such a piece of gold, whilst the paper continued to be delivered, to those who presented it, would secure the means of communicating with their correspondents. But if not being able to procure the paper the proprietor of the seven grains of gold was to attempt to use it as a substitute for the paper, he would soon be convinced that the gold possessed none of the properties of the material, which the person who issued it contracted to deliver. Yet if an engagement in paper to pay in gold could transfer to the paper the quality of measuring value, it would be difficult to discern why an engagement in gold, to pay a given quantity of paper, should not bestow upon the gold the qualities of the paper.

Till of late all this reasoning might have appeared superfluous,—the truth of the proposition it aims at sustaining was held to be indisputable. But when we are now told that Bank Notes are not depreciated :—that though they are not exchangeable against coin or gold, at the supposed advanced value of that metal, they nevertheless accurately represent the value gold coin enjoyed

previous to the restriction;—or the average value of gold coin for a certain number of years:* What is it but to attribute to Bank Paper the power of acting as an equivalent, and of being a measure of value, on a scale differing from that which coin affords, of which it falsely purports to be the equivalent?

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* "To assert that Notes have fallen in value, because they have not risen with the precious metals, or that they have fallen compared with the currency of other countries, because they are not convertible at this moment, without loss, into them, does appear to me to be a most inaccurate state of the question, founded on a total misrepresentation of the first principles of our paper currency."

Lord Castlereagh's Speech on the Report of the Bullion Committee, p. 41.

"But," says Mr. Huskisson (p. 43), "It is said that gold is dear, Bank Notes cheap; but Bank Notes are of the same value as gold!" Thus stated the proposition certainly appears absurd; but we would just observe that it is a perversion of the following; that Bank Notes bear their usual proportion to the average value of gold, but that gold has now experienced a temporary rise of price in the home market above that average."

Review of Mr Huskisson's Book, p. 24 *of the "British Review," (supposed to be the work of a person high in office.)*

"If ten ounces of gold now are worth as much as twelve ounces were before, why should the holder of notes receive now so much a greater value in gold than he did before? Or can it be said truly that he suffers an injustice, because he is not permitted to do so?"

Observations on the State of our Currency, by the Earl of Ross, p. 25.

It is these and similar assertions that have now rendered it necessary to establish, by argument, that Bank Notes, from the circumstance of their being engagements to pay a given quantity of coin or gold on demand, are, in respect of value, identified with coin: and that a difference of value from what they promise to pay can therefore only originate from a want of power in the notes themselves to secure the possession of it; for whilst they enjoy that power, and things that are equal to one and the same thing continue to be equal to one another, a guinea and a guinea-note must be equivalent.

If this statement is just, it seems as easy to comprehend why the value of a Bank Note may in consequence of this deficiency of power, be diminished in comparison of the coin it promises to pay, as it is difficult to conceive how such an alteration of circumstances in the Note can occasion a variation in the value of the gold; and it becomes impossible to imagine how it should augment the value of the gold, which, as we shall afterwards shew, must be banished from use in the country where such an occurrence takes place, and must, on that account, sustain a diminution of demand, which tends invariably to lower the value of every commodity.

It is with confidence, therefore, it is asserted, that the difference of value betwixt gold and Bank Notes, which never did exist, whilst they possessed the power of commanding coin, must arise from

the deficiency in the value of the Note, which has sustained this loss of power; and not from an increase in the value of the coin on which this alteration in the character of the Note can produce no effect.

It must also be remarked, that the accuracy of the opinion that Bank Notes possess an identity of value with the coin they promise to pay, and that this identity of value can in no degree be interrupted by a variation in the value of that portion of coin or gold which they represent, does not rest solely on general reasoning, for it is a proposition of the truth of which we have the most ample experience in the course of the last century.

Coin, and gold or silver, though the best and most accurate measures of the value of commodities from day to day, have themselves no fixed value. —The increase of the quantity of bullion is stated by Sir George Shuckburgh (who, in his reasoning, wisely considers the value of coin to be completely dependant on the value of the material of which it is made) to have reduced the value of coin more than one-half in the course of the last century:—eight shillings and five-pence halfpenny, in the year seventeen hundred, being, according to the calculations in his tables, equal to a pound sterling in eighteen hundred.

During the whole of this period, the Bank of

England were in the practice of issuing Notes payable in coin; yet, notwithstanding this great and gradual diminution in the value of coin, it never was suggested that there was, or could be, a difference betwixt the value of a Bank Note, and the value of that portion of coin it promised to pay.—Notes of the Bank of England were never supposed to represent abstract values. Bank Notes were always considered as representing one hundred and thirteen grains of pure gold, and seventeen hundred and eighteen grains of pure silver; and the doctrines now prevalent, that they represented the value those metals possessed ten years before, or their value on an average of a number of years, was never once thought of.

Yet it is impossible to imagine how Bank Notes should have assimilated themselves to coin during the whole progressive depreciation that took place in its value; and that they should assimilate themselves to thepast value of coin, or to its average value for a number of years, the moment it is supposed to increase in value: for it would indeed be a strange and unintelligible connection in respect of value, betwixt Notes and the coin they represent, if the former were always identified in value with the latter, when it remained stationary, or declined in value; and as uniformly assumed a distinct and determinate value of their own, the moment coin began to rise in value?

From this short analysis of the relation which Bank Notes bear to coin, it seems perfectly clear, that, in reference to value, they can only be regarded as if they were the identical portion of coin they engage to pay on demand: that nothing but a deficiency of power to command it can make them appear in any other point of view; and that, though this loss of power in Bank Paper may diminish the value of the Note, it cannot increase the value of the coin, which undergoes no change or alteration of character.

On this ground alone, therefore, the absurdity of conceiving that the difference in value between coin and Bank Paper arises from an increase in the value of coin, and not from a depreciation of Paper, might be rested. But as this is a question, on the decision of which must rest the character of the late proceeding in parliament in passing "An Act for making more effectual provision "for preventing the current gold coin of the realm "from being paid or accepted for a greater value "than the current value of such coin; for pre- "venting any Note or Notes of the Governor and "Company of the Bank of England from being "received for any smaller sum than the sum there- "in specified; and for staying proceedings upon "any distress by tender of such Notes;"—as well as the merits of the controversy in respect to the conduct of the Bank, its importance may be thought to require examination abstractedly from

the relation that bullion and Bank Notes bear to each other, and a statement of the grounds on which it distinctly appears;

1st, That coin and gold have not increased in value.

2d, That Bank Paper has got into a state of depreciation.

Before, however, entering into the discussion which is requisite to elucidate these two propositions, it may be proper to state what are now generally considered to be the circumstances that confer value, and what it is that regulates the rise or the fall of value in all commodities.

Nothing in itself possesses value;—the existence of that quality is perfectly independent of any characteristic inherent in the commodity that has acquired it. It is an attribute incident to all commodities that become the objects of mens' desire, and that conjoin with the circumstance of being useful or delightful to man, that of existing in scarcity.

It may be, therefore, truly stated, that value can only be conferred by exciting the desires of men for something that exists in a degree of scarcity; or by rendering scarce that for which, though unlimited in quantity, men naturally feel a desire.

These premises evidently lead us to conclude, that unless a substance could be found, subject to no alteration in its quantity, and uniformly exciting the same portion of desire, every thing valuable must be subject to variations in value.

It is also clear, that all such variations must be produced by one of four circumstances:

1st, A commodity must be subject to an increase of its value from a diminution of its quantity.

2d, It must sustain a diminution of value from an augmentation of its quantity.

3d, An increased demand must tend to create an augmentation of value.

4th, A failure of demand must give rise to a diminution of value.

Further, as it would be as impossible to attempt to measure, or to express the degrees of value which any commodity enjoys, by means of a thing that did not itself possess value, as it would be to have recourse to a mathematical point for a measure of dimension, the value of every commodity, when expressed in common language, must be subject to variation in consequence of eight different contingencies:

1st, From the four circumstances above stated, in relation to the commodity of which the value is to be expressed.

2d, From the same four circumstances in relation to the commodity adopted as the measure of value.

From this short detail of the principles on which the value, the variations in value, and the expression of those variations depend, it follows that there must be a marked difference in the nature of the variations to which commodities must be liable. Some will vary in value in one place from the value they possess at another. Some will be liable to sudden variations even at the same place; whilst others, subject to more gradual and slow variations, will always maintain nearly an equality in value in different places.

It is therefore of the greatest importance in the conduct of the exchanges of the superfluities of one man for those of another, to select as a measure of value and medium of exchange that commodity least subject to variation of value in the different places where the parties reside; and least likely to alter in its value within the short space of time in which the transaction is carrying into effect.

Gold and silver, from the ease with which their

precise purity can be ascertained, as well as their divisibility into pieces of different sizes, are eminently calculated to act as money; but these are properties they enjoy only in common with lead and other inferior metals. What they exclusively conjoin with these qualities is, the character of steadiness in respect to value within a short space of time, whilst they enjoy in a greater degree than any other commodity, uniformity in value throughout the world.

These are the attributes, which without any convention, or even implied agreement, have induced mankind in civilized society, universally to adopt gold and silver as the materials best suited for the matter of money.

When, therefore, we are told that gold has risen upwards of twenty per cent. within the limited space of two years, we are informed that it has suddenly lost that character for uniformity of value which mankind by their conduct had unanimously ascribed to it.—Nay, more, we are desired to believe that this metal is no longer subject to that slow, but steady diminution of value which experience has shewn (in consequence of its gradual increase in quantity being uniformly greater than the augmentation of demand for it) to be the character of those variations in value it has always sustained;—and to give credit to the assertion, that gold, in violation of every principle, had so far altered its na-

ture, as to have risen in value within the space of two years, more than other commodity.

Some general reasoning might have been expected from those who maintain this hypothesis, to explain the causes of such an extraordinary and sudden exception to this constant and invariable rule, by which, in the opinion of all who have written on the subject, the variations in the value of gold and silver had been guided.

But far from attempting to give any explanation or reasonable account of so improbable an alteration, there is not even the smallest uniformity in the statements of those who assert that this singular change in the value of these metals has taken place:—for some are of opinion, that it is on the continent of Europe that gold has so rapidly increased in value;—others, confident that a rise has taken place in this country, in the value of gold, admit (what indeed appears incontrovertible) that it has undergone no similar change abroad;—and there are not a few who endeavour to supply the total want of every thing like reason in support of their theory, by the ardour with which they announce the conclusion that both gold and silver have risen in value throughout the markets of the world.

That it is the great demand for gold, and its

increased value on the continent of Europe, which is the cause of its being withdrawn from this country, is an opinion supported by authority no less respectable than that of the Governor of the Bank of England, who in his examination before a select committee of the House of Commons, appointed to inquire into the cause of the high price of gold bullion, distinctly states his conviction, that it is the high price of gold abroad that has made our gold coin disappear from circulation in this country.

The committee in their report have themselves truly observed, that this opinion is unsupported by any detail of facts, and that it is contradicted by those who seemingly possess the greatest knowledge of the state of the foreign markets.* Besides, it is notorious that gold has not risen in a manner to authorize this opinion, either at Hamburgh or Amsterdam, where its value, as expressed in silver, which is the only legal tender, has experienced no alteration similar to what is supposed to have taken place in this country.

But in truth the speeches of two of the most

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* See the examination of A. Goldsmid, Esq. and of John Lewis Greffulhe, Esq. annexed to the Report of the Bullion Committee.

strenuous advocates in favour of the present system of circulation,* recently published by authority, clearly demonstrate that neither the value of gold or silver have undergone any unusual or material variation on the continent of Europe.

In the former of these speeches, Sir George Shuckburgh's calculations are referred to, to shew that gold had diminished in value, betwixt the year 1797 and the year 1800; thus sanctioning the principle on which the value of gold is ascertained in these tables.

It is therefore impossible that the author of this speech can have been ignorant, that in these calculations, as published in the Philosophical Transactions, the depreciation of the value of metallic money, after making allowance for the various changes in the weight and alloy of our coins, is inferred from the rise in the price of labour, and of numerous articles of provisions.

That the reasoning on which this inference proceeds is equally applicable to the Continent of

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* The Right Honourable George Rose, Treasurer of the Navy, Clerk of Parliament, and Vice-President of the Board of Trade—and Viscount Castlereagh, late one of His Majesty's Secretaries of State.

† Mr. Rose's Speech, page 20.

Europe, as to this country, is apparent: how then can any one who sanctions these tables with his approbation, deny, that if a rise has taken place in the price of commodities at Paris, where gold and silver almost exclusively circulate, these metals must have continued to sustain the same slow and gradual diminution in value, to which Sir George Shuckburgh has shewn they have long been subject. For it must be obvious that if gold and silver had really increased in value in the capital of France, to the extent of fifteen or twenty per cent. in consequence of that extended demand for them, which the Governor of the Bank has alluded to, provisions and other necessaries so far from rising in value, must, on the principle of these tables, have undergone a rapid diminution.

The penetration, however, of the Vice-President of the Board of Trade, who by licence now regulates the whole commerce of this country, has led him, in the act of maintaining that gold has greatly risen in value, to inform the public* that Monsieur Silvestre, in a report made to the Agricultural Society at Paris, in 1805, had stated the price of labour to be increased from one-third to one-half in different places of France, and that beasts of labour, and all articles requisite for a farmer's family, were augmented in the same proportion. Further, that Monsieur Daru had stated to the le-

* Ibid. p. 21.

gislative body, so late as the year 1810, that the difference betwixt the value of money at that time and the year 1791, was such, that the same income did not in January last represent more than two-thirds of what it did at the former period. Facts which conclusively prove, that the value of gold and silver money cannot have increased on the Continent of Europe.*

Thus the value of gold estimated in silver abroad:—the evidence of the merchants best acquainted with the state of the foreign markets;—and even the admission of those who are most eager in contending that the difference of value betwixt gold and Bank Paper proceeds from a rise in the value of the former, concur in making it evident, that the value of that metal has undergone no material change on the Continent.

If gold then has risen in value at all, it must be in the home market—and yet it requires very little reflection to discern the complete impossibility of there existing in this country a partial rise in the value of that metal to the extent of twenty or even of fifteen per cent.

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* Lord Castlereagh in his Speech on the second reading of Lord Stanhope's bill, page 48, resorts to the same reasoning. Both these statesmen have extracted this evidence of the inaccuracy of their own argument from a pamphlet entitled "A "Review of the Controversy respecting the High Price of our "Bullion, and the State of our Currency." p. 35.

In the first place, there is against this hypothesis, the direct information of merchants, of the greatest character, whose statements distinctly establish, that notwithstanding the unfavourable state of our exchange with the Continent, the value of a pound of gold bullion, is exactly the same at Hamburgh and London,* and that there is only the small difference of seven shillings and sixpence in the value of a pound weight of standard gold betwixt Paris and London,† that is, it is

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* *Extract of the Evidence of A. Goldsmid, Esq.*

What Bill on England could be purchased at Hamburgh, according to the last accounts of the course of exchange, for 100 ounces of English standard gold?

About £460.

How much English standard gold for exportation, could be purchased in London for £460.?

100 Ounces.

Then the price of gold at Hamburgh and the price of gold in London are nearly equal?

They are.

See also the Evidence of John Lewis Greffulhe.

† Seven shillings and sixpence is to £50. 19*s.* 5*d.* the value of a pound of pure gold, as fourteen shillings and eight-pence halfpenny is to £100.

Extract from the Evidence of A. Goldsmid, Esq.

You have stated that a guinea, or gold equal to what is contained in a guinea, is worth about 25*s.* at Paris; that is, a difference of £8. 18*s.* upon 44 guineas and a half; so that gold equal in weight to what is contained in 44 guineas and a half, would sell at Paris for £55. 12*s.* 6*d.* do you mean to say that the above quantity of gold would purchase at Paris a bill on London for £55. 12*s.* 6*d.*?

Nearly so.

What

nearly two-thirds of one per cent. higher at Paris, where it has been shewn, that it has not risen in value, than in London, where this rise in value is supposed to exist.

Secondly, it is impossible that any one, in the slightest degree conversant with the mere elements of political economy, can seriously believe that a commodity which abounds on the Continent, and which has disappeared from circulation in this country, can be higher by fifteen or twenty per cent. here, than it is in the foreign markets. For if gold was to desert the country where it was most valuable, and resort in abundance to that in which the least could be obtained in exchange for it, it would be a violation of the invariable rule, that every commodity finds its way to the market where its value is highest.

There are those, however, who maintain that the balance of trade and of payments, with the Continent of Europe, are at present so much against

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What would a pound of gold in London cost, at what you have stated to be the present market-price of gold in London, namely £4. 12*s.* per ounce?

£55. 4*s.*

Does it not follow from what you have now stated, that the pound of gold in London and at Paris, is at present nearly of the same value, the difference being only 7*s.* 6*d.* per pound?

It does.

this country, as to make it impossible that gold or silver should remain in circulation, and to have occasioned the state of our exchanges, as well as the recent high price of bullion; and as this mode of accounting for the present state of our circulating medium is resorted to by almost all who have strangely discovered in the increase of paper, to which the restriction of cash payments at the Bank has given rise, an improved system for the conduct of the circulation of this great mercantile country; it seems necessary to go into a little detail, to shew how seldom it can happen, that the exchange resulting from the state of trade and payments can be so unfavourable to a country, as to induce the merchants (who must always be presumed to act upon the principles of securing the greatest profit) to export coin; and how impossible it is that this, or any country, should by such means be drained of its metallic currency.

That the exchange seldom can fall against any country to the extent of making it profitable to export the circulating coin, is one of those propositions that has been rarely controverted; and it is often more difficult briefly to establish by argument what has generally been received as self-evident, than to give a short view of a question which has usually been the subject of controversy. Fortunately, however, this long received opinion may be illustrated without entering into very tedious details.

Let us suppose, as was asserted by the merchants examined in the year 1797, when the restriction on cash payments was imposed, that the expence of sending bullion to Hamburgh was three and a half per cent.; from this statement it is evident that gold could not be conveyed from England to Hamburgh, the exchange being unfavourable to the extent of three per cent. without a loss of a half per cent.

Before, however, the exchange could fall even to three per cent. there must have been so many efforts on the part of the merchants to rectify it, in consequence of the encouragement an unfavourable exchange, founded on the balance of payments, always must give to the exportation of commodities, and the effect it must have in preventing the importation of them, that it is hardly possible it can ever fall so low, if uninfluenced by the circumstance of great remittances from political considerations.

For example, if five per cent. is deemed a fair mercantile profit, without which a merchant cannot have a proper return, on a cargo carried from England to Hamburgh, it is obvious that as long as the prices of cloth in England and at Hamburgh are such as to give only a profit of three per cent. on the resale, an exportation of cloth from England to Hamburgh cannot take place, if the exchange is at par;—but if, beside

the profit of three per cent. on the cloth, there is a profit of two and a half per cent. on the exchange, that is, if a bill on London for one hundred pounds can be purchased at Hamburgh for ninety seven pounds ten shillings, then cloth will be immediately exported, because the profit by the exchange, and the profit by the cloth, will, when combined, afford a profit upon the transaction of no less than five and a half per cent.

On the other hand, suppose the difference of the price of German linen at Hamburgh, and in London, to be such as to afford a profit of six per cent. when resold in England, still, as before the money could be returned to Hamburgh, there would be a loss of two and a half per cent. one hundred pounds in London producing only ninety seven pounds, ten shillings, at Hamburgh, it is obvious linen could not be carried to England, because instead of producing five per cent. which is assumed to be the fair mercantile profit, the transaction combining the gain upon the linen, and the loss on the exchange, would only afford a profit of three and a half per cent.

Thus, before it can happen that the real exchange, arising from the balance of payments, can fall so far as to make it possible for a merchant to export gold without a loss, there must be a want of commodities in the country, which on exportation will afford a profit, such as when com-

bined with the rate of exchange, holds out the prospect of a fair profit to the merchant; for, as long as there are commodities of that description, they must be conveyed in preference to gold; and every such exportation co-operates with a necessary diminution of imports, as above explained, to equalize the balance of payments: and by thus rectifying the exchange, to prevent the possibility of gold being exported without a loss.

It may however be said, that admitting all this political arrangements may give rise to the necessity of expenditure abroad, to such a degree as to occasion the continuance of an unfavourable exchange, even after the various commodities of a country have been conveyed to an extent, that their abundance in the country that receives them, prevents their returning any profit to enhance that which the exchange affords :—that this is the situation of this country,—and that under such circumstances bullion must be exported.

But, even granting this statement to be true, it is in the nature of things impossible that the practice of exporting bullion, as a means of restoring the balance of payments, should be long pursued, either in this or any other country ;—and it is most completely impossible, that it can be carried on for that purpose so as to deprive any country of its current coin in circulation. For the quantity of the coin of a country that can at any time be with-

drawn from circulation to effect this object, is small indeed, as must be obvious to those who reflect, that the moment gold begins to be exported the value of that which remains must increase, or, in other words, the value of all the commodities in the country must diminish; and of course, that they will again present themselves to the foreign merchant in a state, such as combining the probable profit on their exportation with the profit on the exchange, will make it once more a loss to him to export bullion.

It is also clear, that if from political causes, a necessity for further payments should again fill the foreign markets with our manufactures, to an extent that rendered them incapable of being profitably exported, and that the exportation of gold should be reverted to;—the moment a little more of our gold is withdrawn, a further reduction of the price of our manufactures would again make the exportation of gold the least profitable means of paying a foreign debt.

Thus, before any country can be drained of its gold, by an unfavourable balance of foreign payments, the commodities of its growth and produce must in the progress of this operation be reduced in value to a mere trifle.

Such is the reasoning that seems to justify the opinion formerly held by practical merchants of the

greatest eminence,* that no country can suffer a great diminution of its coin from the state of the exchange, arising out of an unfavourable balance of payments ;—for the moment such an exportation commences, a fall in the price of commodities, in consequence of the rise in the price of gold, will ensue, which must be a check to the practice; as the superior profits that will arise from the state of the exchange, and the further reduced price of goods, must induce merchants again to recur to the more profitable channel of merchandise for conveying their remittances.

But by those who wish to prove that the difference betwixt the value of gold and paper arises from an advance in the value of gold, all reasoning concerning the commercial relation of one country to another, however just in the usual state of things, is held inapplicable in the present state of Europe.

They regard the ports of the Continent as hermetically sealed; and representing this country as unable to force the articles with which she would discharge her obligations, through the barrier political circumstances has interposed, ascribe to the commercial decrees of France the power of pre-

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* See the Evidence of Mr. Winthorpe, one of the Directors of the Bank of England.—*Irish Exchange Report*, p. 38.

venting our manufactures from making their way to a foreign market, and of rendering the exportation of coin inevitable.*

That this country could be drained of its coin

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* Unlike, as in former times, when the intervention of neutral states, or the ingenuity of our merchants, made exportation, even in a period of war, little liable to obstruction, England is now with teeming warehouses, unable to force the articles, with which she would discharge her obligations, through the barrier which political circumstances have interposed.

The Principles of Currency and Exchanges, applied to the Report from the Select Committee of the House of Commons—(Supposed to be the Work of an eminent Banker.) *page* 43.

I am, on the contrary, ready to admit that the adoption of such a measure can only be justified by an adequate necessity. In the present instance, what is the fact? That the ruler of France has determined, at the price even of inflicting commercial ruin upon those over whom he rules, to exclude your trade from the Continent. If he does not succeed effectually in doing so;—if much still finds its way, his system has had the effect; comparatively at least, of turning the balance of intercourse against us, and thus influencing the exchange. His decrees are less effectual to prevent the produce of the Continent from finding its way to us, than in excluding our produce from the Continental Markets. Hence an obvious cause of an unfavourable exchange. In ordinary times, the immediate effect of such an unfavourable exchange would be, by a reduction of price to the foreign consumer, resulting from the advantage of the exchange, to force out a greater proportion of our manufactures:—the quantity of bills would be thereby augmented.

cannot be admitted, even if the statement of facts were accurate from which this inference was drawn. But is it true that British produce and manufactures have been totally excluded from the Continent? Does it not, on the contrary, appear from the accounts before Parliament, that in the last two years, during which the exchanges have become so unfavourable, and bullion has risen to so great a value in Bank Notes, as to make our coin disappear from circulation,—there has been a greater increase of our trade,* and even of our

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mented, and the precious metals would, in but a comparatively small amount, be sent abroad. So long as goods could be applied to settle the account, the price of bullion would not rise materially above its natural price. But now goods cannot be sent as in ordinary times.

Speech delivered by Lord Castlereagh, May 8, 1811, *page* 26.

* Official Value of Exports from Great-Britain in the following years:

Years.	*British Produce & Manufactures.*	*Foreign and Colonial Merchandise*	*Total.*
Ending 5th	£	£	£.
Jan. 1806	25,004,337	9,950,508	34,954,845
1807	27,402,685	9,124,499	36,527,184
1808	25,190,762	9,395,283	34,586,045
1809	26,691,962	7,862,305	34,554,267
1810	35,104,132	15,182,768	50,286,900
1811	34,940,550	10,945,309	45,885,859

Average Annual Export, as appears from this table dnring the first four years £35,155,585

Average Annual Export of the last two years . 48,086,379

Increase during the last two years £12,930,794

exports to Europe, than at any former period?*

This extension of our trade can indeed be surprising to no one, who has with any degree of attention examined the effects of an increase of circulating medium; for the commerce of this country in the end

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* Official Value of Exports from Great Britain to the Continent of Europe in the following years:

Year	1805	£15,465,430
	1806	13,216,386
	1807	12,689,590
	1808	11,280,490
	1809	23,722,615
	1810	19,606,706

The average Annual Exportation to Europe appears from this Statement to have been, years 1805-6, 7, and 8 . . .	£13,162,974
The average Annual Exportation during the last two years, is	21,664,660
Excess, years 1809-10	£8,501,686

From the Report of the House of Lords on the Bank, 1797, it appears (page 254) that the whole Annual Exports, during the last peace, to France, Flanders, Holland, and Germany, did not exceed five million, four hundred thousand; so that the annual excess of our exports to Europe during the last two years, exceeds, by nearly three millions, the total amount of our exports to these countries during peace.

of the century before last,* as well as that of our American colonies in the middle of the last century†—the recent increase of transactions in

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* When in the order that is adopted, the state of the circulation of this country in 1695-6, comes to be explained, and it is shewn that the Bank of England from circumstances, was at that time as at present, practically relieved from all demands for cash payments, ample authority will be given to shew the extension of paper money, and the consequent augmentation of commerce even during the expensive war in which this country was then engaged.

† We are told by the author of the Discourse concerning the Currency of the British Plantations (page 38) that "the fallacy of "quantities of Paper Money has increased our superfluous imports "much beyond what was in former times. The seeking factors "upon a large emission advise the merchant in Great Britain, that "money being now very plenty, a large quantity of goods will "sell: accordingly, a glut of goods is sent to New England, more "than can be sold for ready money and short credits; the con-"sequence is, a long credit, with its consequential multitude "of evils."

The plan of this author's work is to state what has been said in favour of an extended circulation of paper in America, and then to reply to it. In the following passage it will be found that both he and his adversary agree in the fact, that it has produced an extension of expenditure, and consequently an increase of trade.

The goodly appearance which Boston and the country in general, at present make, in fine houses, equipage, and dress, is owing to paper money. All our plantations, from some infatuation are inclinable to run into prodigality, profuseness, and shew: their paper loans

Ireland*—and the extravagant augmentation of all sorts of mercantile adventure from increase of demand, during Mr. Law's operations in France,†

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loans (from public or private schemes) upon long periods, give the unthinking and unwary opportunities of involving themselves, by thus sinking what they have borrowed; by repeated emissions they have opportunities of paying a former debt, by running further in debt, till at length they become insolvent.

Discourse on the Currency of the American Colonies, p. 39.

* See the Evidence of Mr. French, (Irish Exchange Committee, page 131) ascribing the increased importation of goods to the extension of credit, since the augmentation of paper; and stating an instance of an individual increasing his imports from £10,000, to £80,000. per ann. which he never could have done under any other circumstances.

† The following description of the extravagant demand for commodities at Paris, during the year 1719-20 is extracted from the History of Mr. Law's System.

Quant à ces hommes nouveaux dont il est fait mention, se trouvent extrêment chargés de papier, ils se donnerent tous les mouvements imaginables pour le réaliser; ce qui fit monter à un prix excessif toutes les choses nécessaires à l'entretien de la vie. Les Merchands vendirent jusqu' à vingt cinq écus l'aune de drap, qui ne valoit auparavant que seize à dix-huit francs; le velours, les étofes de soye, et autres merchandizes à proportion. Les loyers des maisons étoient exorbitans, la façon de toute sorte d'ouvrages se payoit au triple; il y avoit des piéces d'orfèvrerie, dont le prix du travail excedoit deux fois la matière; enfin tout étoit totlement bouleversé, que les gens sensés ne sçavoient même plus à quoi s'en tenir.

Il faut remarquer que la ruë St. Honoré que ci-devant auroit fourni de quoi vêtir superbement toute la France et les voisins, se trouvoit alors comme epuissée; sur-tout on n'y voyoit plus de velours

shew that it is a uniform consequence of an over-issue of paper money.

The augmentation of our commerce is indeed great; but great as it is, it cannot appear extraordinary to any one, who has maturely considered the necessary effects of a great increase of paper in a country, where the habits of extended credit betwixt man and man, and all the numerous devices to economize the use of circulating medium, must render any addition infinitely more efficacious.

Lord Liverpool, in his letter to the King on the Coin of the Realms, states that, "when the situa-
"tion of the Bank of England was under the consi-
"deration of the two Houses of Parliament in the
"year 1797, it was his opinion, and that of many
"others, that the extent to which paper currency
"had then been carried, was the first and principal,
"though not the sole cause of the many difficulties
"to which that corporate body was then, and had
"of late years, from time to time, been exposed

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velours, ni d'ètofes d'or; le commencement de l'hiver avoit emporté tout ce qui s'en ètoit trouvé dans les magazins. Cette saison, si triste d'ailleurs, avoit, du tems du systême, plus d'eclat et de brillant que le plus beau printems d'aujourd'hui, soit par les habits de velours de toutes les couleurs, doublés de tissues d'or et d'argent, soit par les galons et les broderies magnifiques: quant aux pierreries, leur éclat éblouissoit les yeux aux Cours et aux spectacles; et le nombre de nouveaux Carosses mis sur pied, paroît aujourd'hui, incroyable à ceux à qui on le raconte.

" in supplying the cash occasionally necessary for " the commerce of the kingdom."*

He further adds, that " it seems to have been " discovered of late years in this country, that by " a new sort of alchemy, coins of gold and silver, " and almost every other sort of property, may be " converted into paper; and that the precious me-" tals had better be exported, to serve as capital to " foreign countries, where no such discovery has " yet been made. But this new sort of fictitious " capital, thus introduced within the kingdom, has " contributed more than any other circumstance to " what is called *over-trading*, that is rash and in-" considerate speculations, and what is almost " a necessary consequence, unworthy artifices to " support the credit of adventurers already ruined; " as well as other evils, which tend to corrupt the " morals of the trading part of the community, " and to shake the credit on which, not only paper " currency, but the internal commerce of the king-" dom is founded."†

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* Lord Liverpool's Treatise on Coin, p. 222.

† Ibidem, p. 228. In relying upon what Lord Liverpool has said with regard to the state of our paper circulation, it is not intended to express any approbation of the opinions contained in his Letter to the King on the subject of the Coin of these Realms. On the contrary, the arrangement recommended in this letter, of making gold the sole legal tender, and of taking a per centage from the real value of the silver coined at the mint,

equal

Yet at the former period to which Lord Liverpool alludes, the circulation of the Bank of England had never, for any length of time, exceeded eleven millions,* and the number of country banks who issued notes payable on demand, were only two hundred and thirty.† At present the circulation of the Bank amounts to upwards of twenty-three millions;‡ and in the year 1810 there were not fewer than eight hundred and eighteen establishments that had taken out licences for the circulation of their paper.§

Even since the publication of the letter to the King, the circulation of the Bank of England has wonderfully increased; nay, since the end of the year 1808, there has been an augmentation in the cir-

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equal to the charge of workmanship, is regarded by the author of this tract as likely to be prejudicial; whilst he is disposed to deny both the accuracy of the reasoning used in recommending it, and of the facts on which that reasoning is founded.

* See the accounts annexed to the Report of the House of Lords and Commons, 1797.

† See Mr. Ellison's Evidence, Report of the House of Commons, 1797, p. 121.

‡ By an account delivered to the House of Lords, of the amount of Bank of England Notes in circulation, on the 25th of each of the last six months, distinguishing the amount of those above and below five pounds, dated 5th July, 1811, it appears, that on an average the total circulation of Bank Notes amounted to £23,421,866.

§ See an account of the number of licences for the issue of promissory notes payable on demand, delivered to the House of Lords by the Stamp Office, 4th July, 1811.

culation of that Bank, to the extent of nearly six millions, whilst from every information that can be obtained, the issues of private banks have more than proportionally augmented, so that it is hardly possible to estimate the increase of paper thrown into circulation, even within these last two years, at so small a sum as twelve millions.*

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* Average amount of Bank of England Notes, as already stated for six months, ending July 1811	£23,421,866
Average amount of Bank of England Notes in circulation in 1808	17,534,580
Increase of Bank of England Paper in two years	£5,887,286

By Law, Country Bank Notes of Five pounds and upwards cannot be issued for more than three years after their first emission. Notes of one and two guineas are also presumed, on the information stated by the Bankers themselves to the Treasury, when the law was passed, to be worn out in that time, so that the value of notes stamped within three years must give nearly the amount of Country Bank Notes in circulation. Estimated by this criterion, the comparative amount of Country Bank Notes, on the 1st of January, 1809, and the 1st of January, 1811, will be as follows:

Country Bank Notes, 1st January, 1811 .	£32,961,169
Country Bank Notes, 1st January, 1809 .	24,473,184
Increase of Country Bank Notes in the last two years	£8,487,985
Add increase of Bank of England Notes within two years as above	£5,887,286
Total increase of paper within two years .	£14,375,271

If then "overtrading, that is rash and incon-"siderate speculations, and unworthy artifices to "support the credit of adventurers already ruin-"ed," was solemnly announced to the sovereign in 1805, as the necessary consequence of the extent to which the paper circulation of the country had been then carried, is it extraordinary that the unparalleled increase of Bank Paper which has since taken place, should have overpowered even the energy of the Emperor of France, and that our exports to Europe should have increased in defiance both of the war and of his decrees?

The public are much indebted to the Select Committee of the House of Commons, for the the care and attention with which their Report on the high price of gold bullion has been framed. But with all due admiration of the luminous manner in which they have illustrated many of the important doctrines contained in that Report, it is impossible to agree to the position, that the first advance of Bank Notes, by way of discount, if given to safe hands, is always an operation useful and beneficial to the public: this may be a natural result of the opinion which the Committee seem to entertain, that the moment the notes advanced to the discounter, pass into other hands, they cease to act as capital, forming merely an addition to the currency or circulating medium.*

* In the first instance, when the advance is made by Notes

paid

Surely, however, a little more reflection must have convinced the intelligent members of that Committee, that in all cases of an over-issue of paper, when notes pass from the hands of the person to whom they are advanced by way of discount, far from ceasing to act as capital, they have only performed the first and least important step of the career they habitually run, in accomplishing that mischief to the public, which in their capacity of capital they are doomed to inflict.

In the usual routine of the monied transactions of this country, whenever Bank Notes are received from the Bank in discount, they are either lodged by the person who receives them, or the person to whom he immediately pays them, in the hands of

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paid in discount of a bill, it is undoubtedly so much capital, so much power of making purchases, placed in the hands of the merchant who receives the Notes; and if those hands are safe, the operation is so far, and in this its first step, useful and productive to the public.—But as soon as the portion of circulating medium, in which the advance was thus made, performs in the hands of him to whom it was advanced this its first operation as capital, as soon as the notes are exchanged by him for some article which is capital, they fall into the channel of circulation as so much circulating medium, and form an addition to the mass of currency.

Report of the Select Committee on the high Price of Bullion, p. 23.

a banker.* By an extra issue of Bank Notes, therefore, as the increase in the number of notes is no reason for any individual keeping any more money in his drawers or in his pocket;—Bankers in general must have a sum in their possession, large in proportion to the extent of our paper currency: and as the profit of a banker arises from using the money deposited, he must naturally wish to enlarge those accommodations by discount and otherwise, which form the source of his profits.†

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* I ask my reader, what sum of money, what value in the circulating medium of the country, whether of gold and silver, or of notes, he keeps in his pocket or in his house? The answer must necessarily be, from one, a little more; from another, a little less; but from the richest to the poorest, from the highest to the lowest condition, there will be admitted to exist this governing rule: A constant desire that the actual sum so kept should be as little as the convenieuce or supposed necessities of the individual will admit.

The Principles of Currency and Exchanges applied to the Report of the Committee of the House of Commons, (supposed to be the work of an eminent Banker,) p. 10.

† But these very men (meaning Commercial men) carry no more money about their persons when they have obtained such loans than they did before; they lock up no more in their strong chests. If they pay the amount to their banker, or to any former creditor, or if they pay it away in open market, it becomes the immediate care of the party who receives it, not to allow the sum, whatever it be, now placed in his custody, to remain unproductive and at his hazard.

Ibidem, p. 12.

The moment, however, the person who borrows this additional sum in notes from those in whose hands it has been deposited, disposes of them in the purchase of goods or securities, with a view to acquire a profit, either real or ideal; or pays them away for any other cause; the notes from similar motives are again returned into the hands of the same, or some other banker, and his conduct being regulated by similar principles, an attempt will be immediately made to renew the operation of lending them out as capital, which in point of frequency of repetition, seems only to be limited by the rapidity with which money may be spent, or sales of goods, and transfers of commodities, can be effected.

It is plain, then, that under our improved system of conducting money transactions, a small excess of Bank Notes thrown into the circulation, must in their character of capital, give a wonderful degree of facility, or rather of encouragement to mercantile adventure.

Mr. Bosanquet, in his Practical Observations on the Report of the Bullion Committee, states that "£50,000. may pass successively through the "hands of every banker in Lombard-Street, and "absorb in its passage all the best bills in the "market, to an unlimited amount; for if A. a "merchant, borrow it of B. a banker, he immedi- "ately pays it away to C. who deposits it without

"loss of time (indeed, as I before observed, he ne-
"ver withdraws it) with the same or other banker;
"but however often this transaction takes place
"during the day, it makes no real deduction in the
"supposed excess of notes, which will be as super-
"abundant after the last discount it has effected
"as before the first."*

If then, in the estimation of this great practical authority, fifty thousand pounds of Bank Notes could in one day effect in their capacity of capital such a multiplicity of real transactions, who can doubt the irresistible influence the present state of things must have in encouraging all sorts of adventure, when an excess of more than twelve millions must be at all times lying at the disposal of the bankers and monied men throughout the country, of which they must naturally be anxious to make a profit.

But it may be thought that there is a sufficient security against the temptation this state of things affords, both to the banker and the mercantile adventurer, in the integrity of the merchant, which will prevent his engaging in desperate and unproductive projects with the funds of others; as well as in the cautious advances of supplies, which must

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* Page 58.

and ought to distinguish the conduct of bankers in regard to money transactions.

He is ignorant, however, of the spirit which guides those concerned in modern mercantile enterprizes, who thinks that any thing can restrain the desire of adventure encouraged by the prospect of ideal profits, to which the power of commanding the capital of others gives birth ; and the integrity of those concerned in the conduct of our commerce, can now afford but a slender security; for since the introduction of the licence system, the trade of this country, instead of being a scene of *fair* and honourable transactions, as was long the boast and pride of British merchants, has become a labyrinth of mystery and fraud, "conducted (as Sir William Scott says) "by simulation and dissimulation."* and protected almost in every step by the perjury of those who are concerned.

Little, therefore, as the integrity of men, whose minds are trained to the conduct of trade, under

* See judgment in the case of the Eolus, August 8, 1810. Lord Bacon tells us, that the great disadvantage of simulation and dissimulation is, "that it depriveth a man of one of the most "principal instruments of action, which is trust and belief;" if Sir William Scott, in using this expression, had Lord Bacon's Essay in his recollection, what a sad opinion he must entertain of a system of commerce that tends to render the merchant unworthy of trust.

such a system, can be depended on to protect the country against the temptations to mercantile adventure, afforded by such an overflow of fictitious capital; still less security does the nation derive against such practices from the caution which a proper regard to his own interest may be supposed to instil into the conduct of the banker; for in truth his operations may be carried on to an extent ruinous to the country, without any danger to himself.

Under our former system of circulation, when the necessity of payment in cash on demand formed a proper check to the extension of commercial transactions, that security which the laws of this mercantile country afforded to the holder of bills, was undoubtedly highly advantageous and beneficial. But these regulations, under our present system of circulation, when the unlimited issues of paper must drive those, in whose hands, in the course of business, it must be deposited, to exert their ingenuity to find means of disposing of it, so as to secure a profit, can only be regarded as affording a dangerous encouragement to the accommodation of speculative adventurers.

If the drawer, the acceptor, or any of the indorsers of a bill are solvent when it becomes due, the holder must receive payment; and even, if all of them are bankrupt, he can prove against their several estates, receiving dividends from each, till

he is paid in full;—thus it may often happen, that the holder of an accommodation bill receives the full amount of his debt, whilst the creditors of the various parties, on the security of whose names he discounted it, may not receive half-a-crown in the pound.*

It is with confidence, then, that under these circumstances it is left to the decision of the public, whether there is any thing extraordinary in this appearance of extension of commerce, which the accounts communicated to Parliament exhibit: for the only decision that reason can justify any man in anticipating is, that the extension of the trade of a country, even if unprofitable, must be the necessary result of a system of commerce, which at once encourages adventurers and corrupts the minds of those who engage in trade, combined with a system

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* By the Law of England, the holder of a Bill (upon which the drawer, acceptor, and any number of indorsers, are all become bankrupts) is entitled to prove, under the separate commission of each, the full amount due to him at the time he makes his proof; and to receive dividends under each commission, upon the sums proved, until he shall in the whole have received the full amount. If at the time of going to prove under one commission, he has already received any part of the bill, he can only prove for so much as remains. But if after having proved for the whole, he receives a part of the bill from any of the persons liable to pay it, he is still entitled to a dividend upon the whole, provided it does not exceed twenty shillings in the pound upon such part as remains due.

of circulation, which, whilst it takes off the salutary check against the superabundance of paper, afforded by payment of cash on demand, leaves that encouragement to accommodation which our laws wisely held out under different circumstances, to operate on the transactions of the monied interest, at a time when, within two years, they must have received an increased issue of more than twelve millions of paper into their hands.

If any one is disposed to doubt that this is the real and the sound explanation of all the various phenomena which our commerce has recently exhibited, let him reflect on the numerous lists of mercantile adventurers, the extension of whose transactions have rapidly outrivalled those of the best known and most respectable commercial establishments, though their names are only now to be heard of as bankrupts recorded in the Gazette ;* and then let him consider whether by any other means it is possible to explain the occurrences we have within these few years witnessed.

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* *Bankrupts gazetted in the following thirty-five years:*

1777	609	1786	496	1795	704	1804	884
1778	692	1787	501	1796	735	1805	958
1779	523	1788	718	1797	866	1806	994
1780	448	1789	561	1798	724	1807	1067
1781	445	1790	583	1799	557	1808	1101
1782	559	1791	612	1800	736	1809	1110
1783	539	1792	625	1801	884	1810	1792
1784	539	1793	1299	1802	947	1811	2044
1785	511	1794	824	1803	920		

It is painful to perceive, and still more to disclose such a change in the character of our commercial transactions, from those times in which, not in this country only, but throughout Europe, honour, justice, and integrity, formed the proud characteristics of our merchants. It seemed, however, a necessary detail to support the credit of the accounts of our exports, which so distinctly prove the error of those who have regarded the diminution of our export trade to the continent as the cause of our coin disappearing.

At all events, it is in vain to object to the inaccury of the information which these accounts convey concerning the real value of our exports. The objection, even if it were founded, is inapplicable to them as evidence of what they are here cited to prove; for they are only referred to, to shew that there is no insuperable barrier to the export of our goods; that, on the contrary, in comparison of former years, our export within these last two years has been excessive; and these accounts of the Inspector-general of Imports and Exports, have been at all times relied upon by official men, as giving an accurate comparative view of our commerce.*

* See Mr. Pitt's annual Speeches on opening the Budget, who invariably states these accounts as giving an accurate comparative

It appears, therefore, difficult to suppose on what ground any one can imagine that a rise in the real value of gold and silver has taken place either on the continent of Europe, or in this country.—That they have not risen abroad, seems to be established beyond the possibility of doubt; and it is as impossible to suppose, that a local rise of their value in our market could occasion their being totally withdrawn from this country, as it is to believe that the causes to which this supposed rise in value is ascribed, could have produced the effects attributed to them.

But of all opinions the most extravagant, seems to be that which announces an augmentation in the value of these metals throughout the world. It is indeed most strange, that a rise in the value of gold and silver to the extent of twenty per cent. should have been stated in this enlightened age as a thing possible.—For a moment's reflection on the general principles that regulate the value of commodities, in the accuracy of which all are agreed; and on the peculiarities attending gold and silver which occasion that uniform depreciation they have sustained, and always must sustain, seems sufficient to produce a conviction, that nothing short of a miracle could

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tive view of our trade. See also Report of the Committee of the House of Lords, on the state of the affairs of the Bank, 1797, drawn up by the late Earl of Liverpool.

produce so extraordinary a change in the nature of things.

The use of gold and silver, unlike that of grain and many other commodities, that serve for the sustenance, and contribute to the comfort of the human species, does not imply the consumption of them. These metals, even by receiving a form that adapts them for use, do not, like cloth, timber, and many other things, lose the power of resuming their state of raw materials, and as they can at all times be reduced when convenient into this form, the quantity of them, that either is or can be consumed, must be smaller than that of any other commodity.

On the other hand, though the amount of the annual augmentation of these metals has in the course of ages, been sometimes greater and sometimes less, yet it has been constant, and of late years the supply from Europe and America alone has been calculated to amount to upwards of nine millions.* It follows, then, that nothing but an increase of effective demand, proportioned to this constant augmentation of the quantity, can possi-

* The two following Estimates of the value of Gold and Silver produced annually, are taken, the first from Garnier's Notes on Dr.

bly sustain the relative value these metals bear to that of other commodities.

That under these circumstances they should have

Dr. Smith's Wealth of Nations; the second from Humbold's Statistical Account of New Spain.

FIRST ESTIMATE.

Mines.	*Marcs D'Argent.*	*Marcs d'Or.*
De Russie . .	80,000	3,200
De Hongrie . .	92,000	4,666
De Suède & de Norwège . .	15,000	
De France . .	3,000	
De Piémont . .	2,300	
De Saxe . . .	50,000	
De Hartz . . .	37,000	
De Magdebourg	3,000	
Argent	282,300	Or 7,866

L'Argent évalué à 52 par le marc . . 14,679,600 fr.
L'Or à 780 fr. le Marc 6,135,480

PRODUIT DES MINES DE L'AMERIQUE.

Amérique Espagnole . .	159,000,000	209,000,000
Brésil	50,000,000	

Produit total des mines d'Or & d'Arg. . 229,315,080 fr.

In reducing this sum to English money, at the rate of six francs, sixteen cents, to the sterling crown, or twenty-four francs, sixteen

for centuries invariably suffered a gradual diminution in value, without a trace of their having at any time sustained a rise in value, cannot appear surprising; especially when we recollect, that increasing opulence and credit tend to supersede the necessity of so frequently resorting to the use of coin, the chief source of the demand for them; and that mankind, ever attentive in the progress of improvement to devise means of saving labour, or expenditure, which from its power of commanding labour, may be regarded as the same thing, have

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sixteen twenty-fifths of a franc to a pound sterling (the proportion fixed in the Imperial Almanac for the year 1810) the total value of Gold and Silver drawn from these mines is £9,326,910. 14*s.* 3*d.*

SECOND ESTIMATE.

Countries.	*Gold.*		*Silver.*		Value of both in Francs.
	Kilo-grams.	Value in Francs.	Kilo-grams.	Value in Francs.	
Europe . .	1,297	4,467,444	52,670	11,704,444	16,171,888
America .	17,291	59,557,889	795,511	176,795,778	236,353,667
North Asia	538	1,853,111	21,709	4,424,222	6,677,333
Total	19,126	65,878,444	869,960	193.324.444	259,202,888

Reducing this sum to English pounds, on the same principle as has been already adopted, it amounts to £10,519,597. 14*s.* 6*d.*

These Estimates do not include the Gold and Silver collected in China, Japan, Tonquin, Central Asia, and the interior of Africa, but exhibits the whole amount of the precious metals brought annually into the commerce and circulation of Europe.

been and are in the constant habit of studying with success the means of economizing the use of coin.

What reason then has been suggested ;—what reason can be given sufficiently forcible to authorize the belief that these metals, (the cause of the gradual depreciation of which is so obvious,) have, within these two years, suddenly ceased to suffer that loss of value, which it is admitted they have slowly but uniformly and progressively sustained, to an extent, that eleven-pence and twenty-nine two hundred and eighty-one parts of a penny, are represented in the year 1050 to be equal in value to a metallic pound in the year 1800, that is, that one pound sterling at the former period was equal in value to twenty-one pounds, twelve shillings, threepence-halfpenny, and ten thirteenths of a farthing at the latter.*

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* It is singular that many of the advocates for the present system of circulation, who in former publications have talked with enthusiasm of the Tables published in the Philosophical Transactions, by the aid of which these calculations are formed, now attempt to make quibbling distinctions on the subject, and even to controvert the principle they applauded.

Mr. Chalmers, for example, the author of the Considerations on Commerce, Bullion, and Coin, has the following note in that part of his Estimate of the Commerce of Great-Britain in which he treats of the increase of the Civil List.

" The historian of our Revenue (Sir John Sinclair) does not " distinctly

But even this is a weak and imperfect statement of the difficulties which must be encountered by those who contend that the difference betwixt

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" distinctly state that arrangement which comprehends the royal " grace and the parliamentary engagement. The learned ba- " ronet, however, recapitulates the various sums which, from time " to time, have been paid, in supplementary aid of the Civil " List; and at length infers, that the total, during the space of " twenty-eight years, amounts to £923,196. *per annum.* But his " sagacity seems not to have perceived, that the depreciation of " money was out-running the annuity; and his algebra did not " discover, by computation, that £923,196. in 1786 were not " equal, in power of purchase, to £800,000. in 1760: in fact, " according to the table, and the principles before-mentioned, an " annuity of £900,000. was equal in its energies, during the year " 1760, to an annuity of £1,478,947. 7*s.* 4*d.* in 1800. Now " the *mathematics* cannot be outfaced by confidence, nor out- " argued by declamation."

Without commenting on the indecent degree of contempt with which the author of the Considerations on Commerce, Coin, &c. has in this passage treated the person who must be considered as his leader in the attack on the Bullion Committee—it is impossible not to observe that he himself has been guilty of what he whimsically calls outfacing mathematics with confidence, or outarguing them by declamation, in the following passage (p. 121,) of his recent publication:—

" It was reserved for the late Sir George Shuckburgh, to re- " duce this enigmatical subject (the depreciation of money) to " a sort of system: but the true and the parliamentary language " is, that the prices of land, of labour, and of the physical " necessaries, rise, sometimes more and sometimes less, in " particular periods:—the value of money, then, does not de- " preciate, but prices rise."

the value of Bank Notes and the coin of these realms is to be attributed to a rise in the value of bullion.

For before that proposition can gain credit, it is not only necessary that the reasoning should be disposed of, by which it has been made evident that Gold and Silver must, as heretofore, sustain a gradual diminution of value; but a task still more difficult must be accomplished, for some plausible grounds must be stated for conceiving it possible, that all at once the depreciation in the value of these metals, which has been so long and so uniformly experienced, should be succeeded by a rise so sudden, as within two years to counteract the formidable loss of value they have sustained during the last twenty-seven years.

Yet that it is necessary to establish this by argument, must be evident to those who reflect, that fifteen shillings and eight-pence farthing was, according to Sir George Shuckburgh's calculations, twenty-seven years ago, equal to one pound in 1800; and that fifteen shillings and eight-pence farthing of standard silver is at present, in the estimation of the Directors of the Bank of England, equal in value to one pound, if we may judge from the value of the tokens as recently adjusted for the purpose of circulating along with Bank Paper.

It is material further to observe, that impossible

as it is to conceive why gold and silver should within the last two years experience a rise in value so formidable, after sustaining, during all the vicissitudes of seven hundred and fifty years, a gradual diminution of value:—the difficulty of giving credit to such a statement is infinitely increased, when we learn from a little reflection, that these are the two years of all others in which it is least probable that such a miraculous change should take place.

From the general principles already stated, by which all variations in the value of any commodity are regulated, it follows, that an extension of demand for, or a diminution of the quantity of a commodity, are the only occurrences that can possibly raise its value. Now instead of the demand for gold and silver having been increased during the last two years, or the quantity of these metals having been diminished, it is evident that the demand must have been diminished, and the quantity increased.

For this country's ceasing to enjoy a metallic currency, must have curtailed the demand to an extent proportioned to the share we used to acquire of what was annually produced; whilst the coin withdrawn from this country, pouring in upon the market in which there existed this diminished demand, must, in conjunction with the usual supply, have there produced a quantity in abundance unparalleled.

Such are the details, and such the reasoning, that seems to authorize a confident belief that the difference in the value of paper and the coin of these realms cannot be occasioned by an augmentation in the value of gold and silver; and if this position is established, the conclusion is unavoidable, that paper must be depreciated; for a difference in the value of paper and of gold, gold bearing a comparatively high value, can only originate from a rise in the value of the latter, or a diminution in the value of the former.

But a feeling of the importance of this question, nay, a conviction that the interests of the country, on no occasion were ever more deeply concerned, irresistibly urges a further extension of this argument for the purpose of considering some of the dangerous and long exploded doctrines, which have been brought forward in support of the opinion that Bank Notes are not depreciated; and of stating the grounds which justify the conclusion that Bank Paper has, from its abundance, got into a state of depreciation.

For such an extension no apology can be necessary to those who have studied the subject, as in ascertaining the feelings that have predominated on all similar occasions, they cannot have failed to remark the popularity which has uniformly attended the extension of credit, arising out of a super-

abundance of paper:* and prejudices on a question easily involved in mystery, where the interests of many are concerned, are not to be got the better

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* Mr. Law, it is well known, died in obscurity, execrated for the mischief to which he had given rise, and the misery his schemes had inflicted on many; yet the following preface to an edition of one of his tracts, printed at the time the delusion existed in France and in Europe, will shew the feelings that generally prevailed.

It is humbly hoped that the public will favourably receive the following pages, which consist of some heads of a scheme, which Mr. Law proposed to the parliament of Scotland in the year 1705; which, though it was favoured by the High Commissioner, (who now serves His Majesty in a great office) and by several members of parliament; yet such were the prejudices against which prevailed, that the proposal was entirely laid aside. Having had so little success in that part of Great Britain which was his native country, he applied himself to the Lord Treasurer of England, and transmitted to his Lordship another proposal for the increase of Trade and Credit, with explanations at large, and adapted to the Constitution and usages here; but meeting with no more encouragement than before, and not being able even to get his pardon, (having killed the famous Mr. Wilson in a duel many years before), he was compelled to live abroad; where, after undergoing a great variety of persecution from his enemies, he now appears a minister far above all that the past age has known, that the present can conceive, or that the future will believe. He has established the public faith in a country that was become a proverb for the breach of it. He has made the increase of the revenues of an arbitrary government depend upon the subjects' free enjoyment of their property, insomuch, that it might possibly cost the crown many millions

of by hints. On such a subject, all who have any knowledge of mankind, must think that wholesome truths cannot be presented in too great a variety of shapes; at a time when those who hold the government of the state have so far yielded to the delusion, as not only to maintain that paper is not depreciated, but to threaten the country with the ruinous measure of making paper a legal tender.

By those who applaud our present system of circulation, as solving the problem of reconciling

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millions, together with all its present prospect of riches and power, to refuse the very lowest demand of money which the public has promised to pay: he has shewed the people of France that their late King Lewis XIV. with his unlimited authority, was not able to take more from them than Mr. Law has since restored. He has now no enemies but those who are so to all mankind; and many, who some months ago thirsted after his blood, now eat his bread, for he has appeared incapable of any other species of vengeance, but that of laying his enemies under the shame and confusion of receiving their fortunes from him. This is the man whom Britain has lost, having laid under the displeasure of three successive ministers, so as not to be able to obtain his pardon, till at last, (too late for his country) it proceeded even unasked from the justice and discerning judgment of a great L—d now at the Helm.

Hiccine Vir Patriæ natus usquam nisi in patria morietur—hunc suâ quisquam sententiá ex hac urbe expellet, quem omnes urbes expulsum a vobis ad se vocabunt: O Terram illam beatam, quæ hunc virum exceperit! hanc ingratam si ejecerit! miseram si amiserit!

national prosperity with a state of warfare,* and who represent the practice of conducting the circulation of the country with notes payable in cash on demand, as a mere remnant of barbarous times,† which if persevered in, would have prevented the vigorous exertions we have made, in the course of our enemy's extending his power over the Continent of Europe; the proposition that Bank Notes have suffered no diminution in value, has been apparently maintained on two different grounds.

For some have confined their arguments to the more limited object of shewing that they are not at present depreciated; whilst others have aimed at establishing the more bold and extended position, that under the system on which they are issued, they cannot be depreciated.

Those who have endeavoured to maintain the former conclusion, enlarging upon the idea suggested by some of the witnesses examined before the House of Commons, that broad cloth, or indigo, were as fair a standard for the value of Bank Paper

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* Speech by Lord Castlereagh on the Report of the Bullion Committee, p. 24.

† Observations on the State of our Currency, by the Earl of Ross, p. 9.

as gold or silver,* consider Bank Notes, since the restriction, as representing the value of the commodities which formed the basis of the transaction that gave rise to their being issued, and assuming that they are never advanced by the Bank, but for the purpose of facilitating real transactions,† argue

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* See Evidence of W. C. Chambers, Esq. Bullion Report, p. 102.

† It has been so asserted by all the Directors of the Bank of England, who were examined before the Bullion Committee; the following note, however, of the proceedings in an action before the Court of King's Bench, in the month of July last, cannot fail to create strong suspicions, that they occasionally deviate from these principles, and discount paper which they know to be bills of accommodation.

DENNISON v. TOLLETT IN B. R.

SITTINGS AFTER TRIN. TERM, 16th July, 1811.

The declaration states, that an indenture has been entered into between Lowndes and Batteson, of Liverpool, on the first part; Dennison, Rainier, Thelluson, and others, eminent merchants of London, on the second part; and several merchants of Liverpool, on the third part; reciting, That Lowndes and Batteson, were unable to meet their acceptances and engagements, and had represented that their embarrassments were of a temporary nature. "And whereas the said Thomas Lowndes and Richard "Batteson, have made application to the Governor and Com- "pany of the Bank of England, to advance or lend to them the "sum of £100,000, to which proposition, the said Governor and "Company

that, during the restriction of payments in cash, coin may rise in value, whilst Bank Paper may continue to represent in goods that value which the same denomination in gold and silver possessed prior to the supposed rise.

On the other hand; those who wish to enforce the latter conclusion, habituated to regard the money of the country, circulating in the shape of gold and silver, under those different denominations which have been established as expressing fixed and definite degrees of value; and resting upon what is certainly true, that the materials of which it is composed are not invariable in value,—

"Company, having been satisfied with the representations of "the said Lowndes and Batteson, to the effect aforesaid, have "agreed by way of discount of certain Bills of Exchange, to be "drawn and accepted, or indorsed by the parties of the second "part, *in manner, and to the respective amounts hereinafter mentioned.*"

Then follows a specification of the Bills to be drawn, accepted and endorsed by the parties of the second part, and to be renewed *three times* (at three months) for the purpose of being discounted by the banker, and a covenant from the parties of the third part, to indemnify the parties of the second part of all losses, in case they should be ultimately called on by the Bank to pay the Bills so indorsed, drawn, and accepted by them.

Lowndes and Batteson became bankrupts, after the bills had been twice renewed, and three times discounted by the Bank; and the parties of the second part being called on to pay, now came on those of the third part for their indemnity under the covenant.

strangely and inaccurately infer that the value must be denoted by the denomination which is unalterable.

By the partisans of these several principles, their doctrines are ostentatiously, though falsely, represented, as the discoveries of this enlightened age. But far from being novel in themselves, they are no where more distinctly expressed, or more violently condemned, than in an account of the intended Bank of England, written for the purpose of displaying the principles on which that establishment was to be conducted, a few months before it was formed.

In describing the various plans of banks, and public funds, that were at that time projected, the author of this little Tract states, that, " a design " was entertained by some *mercurial heads*, of " turning a Lumbard into a Bank," (that is, of issuing notes on the credit of goods) " and to that " end they cried down the use of gold and silver, " and up that of other materials, in lieu thereof, " but when they found the world very unwilling to " leave their old way, without a better reason, " they run from their new mistake into an old one, " which was, that the stamp or denomination could " give credit to the value of money."*

* See a brief account of the intended Bank of England, page 3, published 1694.

By those *notionists*, as they were then called,* the impossibility of commanding gold and silver sufficient for circulation, the industry and skill of our enemy in drawing our coin abroad, and preventing its return, were then as eagerly enlarged upon as they have been of late by those who call themselves practical merchants.† But, above all, it was strenuously denied that coin derived value from the material of which it was made: and asserted that the metals only served as tokens of credit representing imaginary denominative values of commodities:—Indeed this is the prin-

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* Ibidem, page 9.

† See An Abstract of the Consultations and Debates between the French King and his Council, concerning the new Coin and Coinage that is intended to be made in England, wherein is contained the political designs and great hopes the French King and his Council have to ruin the English Nation, in divesting and draining them of their new Coin as soon as coined.—*Published* 1695.

Also, A Preservative for our Money, or a way proposed, whereby some Money may be kept in England, which otherwise will all be gone; or how we may carry on the war against France, with vigour and with much better effect than hitherto, and yet keep our Money: *by E. L. printed* 1697.

See further, A short Treatise of the Reason and Cause why our Bullion and Money should have been exported. *Printed* 1697.

ciple which must, at all times, be assumed to justify the conclusion, that paper, without being payable in cash, can possess value.

For the opinion that paper may cease to represent coin, and derive its value from other commodities, necessarily implies the assertion, that it derives value from denomination, as in reality it is impossible to hold that gold has ceased to be the standard of value, and that paper, whose value was formerly ascertained by its being equivalent to coin, now represents commodities, without either erecting a new standard of value, or attributing to the denomination which the paper possesses the power of deciding the quantity of every species of commodity to which it is equivalent.

It is certain, therefore, that though it is not directly asserted by those who consider paper as representing commodities, that the denomination gives value to, and fixes the value of, the Bank Notes in circulation; this is a tenet, which, when Bank Paper has ceased to represent coin, and there exists no other standard of value, is the unavoidable consequence of that opinion.

For those who have suggested the interest of thirty-three pounds six shillings and eight-pence, three per cent. stock, to be the standard by which

a one pound Bank Note is to be valued;* must perceive that as the interest of that sum, in three per cents. since the restriction, is necessarily paid in a one pound Bank Note, it is in other words to attribute the value of the note to the denomination by which it passes. Such also seems the only source from which the value of Bank Paper can be inferred, by taxing our recollection to discover what was its value before the restriction, or our imagination to divine what would have been the value of notes in commodities at this time,† had coin continued to circulate; for nothing but the denomination, can either refresh the memory, or aid the imagination of those who, by such means, try to ascertain the value of our paper.

Of this doctrine, the author of The Law and Principles of Money, is one of the most distinguished advocates;‡ in asserting, however, that it was re-

* See W. Bosanquet's Practical Observations on the Report of the Bullion Committee.

† See the various definitions of the standard of value, since gold has ceased to act in that capacity, given in the Review of the Bullion Report, British Review, p. 26, *(supposed to be written by a person in high official situation.)*

‡ Mr. Raithby, whose pamphlet contains the sentiments of Mr. Rose, as that gentleman has stated in his printed speech, p. 211.

served for what he has termed the good sense of this country, recently to discover, that any indifferent substance marked with a clear certain denominative value, which the law should stamp with its authority, could perform the duties of money, he has only displayed his ignorance of what he would probably term the ingenuity of former times: for these opinions were not only indirectly insinuated, but directly asserted by many, who in the reign of William III. thought they saw in the extension of our paper credit, the same advantages which he and others have now so sagaciously discerned.

The public were then told with as much enthusiasm as at present, that it did not signify what the outward form of money was: that whether metals, leather, or paper, it might equally serve to commute value for value; and that though commonly made of some metal, the value arising from public authority might as well be set to any thing else that was equally convenient, and could as well be preserved from being counterfeited.*

* What matters it what the outward form of cash is? Be it metal, or leather, or paper, it is all one, so it will commute value for value. As for the intrinsic value of gold and silver, 'tis no more than a *relative* value, in that they are, (by reason of their scarcity) become the measure of commutation. But as to any value inherent in their natures, I do not know that they excel so much; for other metals (called *base*, because they are

It was, however, reserved for the ingenuity of the present times to discover, contrary to all authority and experience, that paper not payable in coin on demand, was capable of conducting the circulation of a country, with an uniformity of value which could not belong to it, if tied down to a metallic currency as the standard.*

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are found in great plenty,) are really of more use to mankind. Now, if money be desirable only for its relative value, then I say these notes may vie with it, for there is not one note but what has *relation* to a pledge:

Discourse concerning a Lumber Office, p. 12. *Printed* 1696.

I find a great stupidity and dulness of apprehension in some men, about the valuation of our money, and with great difficulty have I made them sensible of this error, viz. that a crown 's a crown, and that if it goes so, 'tis no matter if it were leather, concluding that all things are valuable by our money, and money by itself.

Objections to Mr. Lowndes's Proposal about the Amendment of our Coin, page 9. *Printed* 1695.

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* In its absence (that is, the absence of coin) the accredited paper of our Banks preserves its established relation to the general property of the country, which it continues to circulate with an uniformity of value which could not belong to it, if tied down to Bullion as the standard, and obliged to conform to all the present convulsive fluctuations in its price.

Lord Castlereagh's Speech, May 8, 1811, *published by authority,* page 48.

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Sir James Steuart's Work on Political Economy, has, indeed, been copiously quoted, as affording authority for this strange and unintelligible doc-

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The abstract idea of a pound, will be far more uniform in value than any fixed quantity of gold or silver.

Defence of Abstract Currencies, by Gloster Wilson, p. 49.

Mr. Raithby, after declaring that the Standard of value, the universal power of equivalence, is affixed to the coin, the guinea, and not to the piece of gold; and stating that a clear, well-understood, denominative value, is in truth the only rule; (page 26.) in a subsequent part of his Treatise, proceeds, "it next occurs "to consider the principle upon which a state must necessarily "act, if it act wisely, in the choice or selection of a part of the "commodity of a society, thus to pass from hand to hand with-"out ever resting, throughout the society, as the representative "of the value of the rest of the commodities destined to their "use and enjoyment.

"In the first place, the subject that is selected must be palpable "and substantial; small of bulk, light of carriage, and either dura-"ble or easily renewed. And one would suppose that when these "qualities were ascertained, which all come within the general "principle of convenience, that the expence of this vehicle would "next be the subject of consideration; and then that the commo-"dity most easily obtained, and of course the cheapest, would be "the commodity the state would fix upon for the purpose "of money. One would not have imagined that the Govern-"ment of any country, would have been sedulous to select a "commodity, the rarest and most expensive in the world; that "instead of considering the utility merely, of the qualities of "the commodity, those of beauty and value should have been "held, not only as indispensable, but as of primary considera-

"tion;

trine of the advantage of conducting the circulation of a country by abstract currencies, representing imaginary denominative values:—and it is most certain, that there are many passages loosely written, in that part of this valuable work, where the author details his doctrine concerning money of account.

It is true, he has stated the Florin-banco, as representing no material value; and he has alluded

"tion; qualities which are at total variance with the end de-"signed." Page 87-8.

Whatever in itself possesses an embodied form, and an intrinsic value, must, as a material commodity, be subject to variation, under the universal principle of the relative proportions of product and demand. And paradoxical as it may seem in theory, it is nevertheless most uncontrovertibly true in practice, that it is this very attribute of intrinsicality which necessarily imposes the quality of variation. It is the ideal money of account only, which admits of invariable value; because it is not formed of *substantial* and therefore *variable* materials.

Observations on the Fallacy of the supposed Depreciation of the Paper Currency. By Perceval Eliot, p. 32.

It is submitted to the refined ingenuity of this gentleman's mind, that an immaterial army would also have the advantage of being invulnerable. And paradoxical as it may appear to him, it is just as easy for a man of science to conceive a successful campaign carried on by such an army, as it is to imagine that value can be measured by a standard which is deprived of what he calls intrinsicality.

to Macutes, as used for money on the coast of Africa, divided into decimal parts called Pieces, as a mere scale for estimating their trucks.

But on the materiality of that which the Florin-banco represents, a variety of passages in his own work, as well as other authorities innumerable, which might be referred to, can leave no doubt. And it is extraordinary Sir James Steuart should have been ignorant that Macutes were pieces of net-work, used by the people of Angola for a covering,* with which they conducted their exchanges, on the same principle that the exchanges of other countries have been conducted, by fish and by cattle, neither of which, as has been already observed, could ever have been resorted to as measures of value, had they not possessed value as commodities.

It cannot, however, be said, with the smallest justice, that it ever entered into the imagination of the author of the Inquiry into the Principles of Political Economy, that the circulation of a country could be conducted by imaginary abstract denominations of value expressed on paper.

He has certainly defined money of account to

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* See Prospectus d'un nouveau Dictionnaire de Commerce, par M. L' Abbé Morellet, p. 122.

be, "an arbitrary scale of equal parts, invented for "measuring the respective value of things vendi- "ble." But does he not say that before this scale can be applied to use, mankind must by convention fix the standard value of one part? He adds, indeed, that the first step is optional; that one or more of those parts may be adjusted to any precise quantity of the precious metals;* but when once this adjustment takes place, does he not state, that money is realized, as it were in gold and silver, and becomes the price, as well as the measure of value?

So far is it from being true, that Sir James Steuart sanctions the opinion, that the circulation of a country can be conducted by paper representing no metallic currency, and enjoying only denominative value, that those who are really acquainted with his writings, must consider such a representation as a gross perversion of his doctrine; for he distinctly states, that "some intrinsic value or "other must be found out to form the basis of paper "money, for without that, it is impossible to fix "any standard worth, for the denominations con- "tained in the paper."†

It is indeed impossible for any one acquainted

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* Quarto Edition of Sir James Steuart's Political Economy, pages 529-30.

† Ibidem, page 525.

with the works of this author, to think that his authority can be relied on in support of a doctrine he has reprobated to such a degree as to declare, that "The moment money is realized in the metals, "and that the standard measure of value is affixed "to them, let them be worn or not, it is very evi-"dent, that nothing but *the grains of the metal* "in the several pieces can represent the scale by "which the coin becomes a measure of value. "Whenever, therefore, people lose sight of this "undoubted truth, and begin to measure by the "denominations of the ideal money of accompt, "without examining whether that value be exactly "realized or not, it is just the same thing, as if "they were to measure a length upon a plan "without adjusting their compasses to the scale, "and upon a bare supposition that the opening "they had by accident made, might answer the "length they were to measure."

There is, however, one weighty and important authority, which, unfortunately for the country, may be now cited in favour of this extraordinary doctrine, that denomination can add to, or take from the value of money. For the House of Commons has been induced to declare, "That the "rights of establishing and regulating the legal "money of this kingdom, hath at all times been a "royal prerogative vested in the sovereigns there-"of, who have from time to time exercised the

" same as they have seen fit, in changing such
" legal money, *or altering and varying the value,*
" and enforcing or restraining the circulation
" thereof by proclamation, or in concurrence
" with the estates of the realm, by act of Parlia-
" ment."*

To the authority of either House of Parliament the utmost deference is due, but there is no extent of authority that can command the assent of men to a proposition evidently false, attributing to the Crown a prerogative no King of England ever possessed, and which could not be exercised without being attended with the inevitable ruin of the country.

The Crown has undoubtedly the power of regulating the quantity of alloy that should enter into, and of fixing the size, shape, and denomination of the coin of these realms, by which all subsisting contracts may be effected, and the debtor and creditor alternately defrauded for each other's benefit. Even this power, however, has remained dormant ever since the reign of Queen Elizabeth; neither was its existence then unquestioned, for though it was confirmed by the judgment of a court of law, the decision has been deservedly censured,

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* Resolutions of the House of Commons, 3d May, 1811.

as repugnant to every principle of natural justice.*

The Crown has also recently exercised the power of fixing the value of gold coin relative to silver coin, by proclamation, and though it cannot, and never has, attempted to fix the value of coin in relation to any other commodity, still the total banishment of all standard silver coin from circulation, which the regulation of our mint effected, sufficiently illustrates what would be the consequence of exercising this prerogative of *fixing and altering the value* of the coin, which the House of Commons has declared to belong to the Crown.

It is a power which neither the kings of England nor the head of any other empire ever pretended to possess. It is true, that by most governments the shape, the size, and the quality of the current coin has been altered;—perhaps by none more disgracefully than by some of the ancient monarchs who held the crown of France. Yet their authority may be cited to prove, that they never imagined they had the power of altering the value of the coin, as is evident from many of the ancient ordi-

* See note by Edward Christian, Esq. Professor of Law in the University of Cambridge, in his edition of Blackstone, in which he observes on the case of mixed money, in Davies's Reports, 48, vol. i. p. 278.

nances, forbidding the engravers and other officers to reveal the quantity of alloy used in the formation of it;—a measure perfectly superfluous, if by these ordinances the value of the coin could have been altered, but in the conception of some of the kings of France, of such importance as to be enforced with the most solemn oaths.*

Even the revolutionary government of France, who certainly cannot be accused of entertaining very limited ideas of sovereign authority, never supposed that such a power could exist; as is apparent from the royal proclamation of the 19th of April, 1790,† announcing the assent given to the decree

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* Philip de Valois, in an ordinance of the year 1350, for making the *Doubles Tournois,* directs the officers of his mint to alloy for the merchants, and the engravers and other officers are forbid to reveal the same, and directed to swear on the holy evangelists that they will keep it secret. King John added to his mandate for the like purposes—upon the oath you have taken to the King, keep this matter secret, the best ye may:—for if by your means it shall be known, you shall be punished after such a manner, that all others shall be terrified thereby. And in another place—Keep this matter secret, and if any one inquire of what standard the blanks are, pretend they are of six deniers;—take as much care as you would of your own honours, that they do not discover the degree of alloy by your means.

See Le Blanc and Boutteroue in his Traité des Monnoyes.

† Extract from the Proclamation issued on the 19th of April, 1790,

making assignats a legal tender;—in which the limitation that is in the nature of things imposed on all sovereign authority, is most accurately recognized; and the people of France are only invited from motives of patriotism to allow the assignats, in the course of future transactions, that value which was conferred on them by law, in so far as concerned the interests of thôse, who in consequence of past transactions stood to each other in the relation of debtor and creditor.

But should there be any one who really thinks the Crown enjoys the prerogative of altering the value of the coin, that is, the rate at which it should pass in exchange with commodities, and who is so ignorant as to believe that such a prerogative has in modern times been claimed by any king of England,—let him reflect on the nature of the steps necessary to effect this object, and he must soon be undeceived.

1790, announcing the royal assent to the decrees making assignats a legal tender!—

"Ainsi quoique le decreet revetu de la sanction du Roi n'ait "imposé et n'ait pu imposer que l'obligation de recevoir ces "billets dans les paimens qui ont lieu d'un debiteur à un crean- "cier; sa Majesté *invite* tous les habitans du Royaume à les "recevoir de même, sans aucune objection ni difficulté, dans "tous les contrats et les marches libres; de telle maniere que "par l'effet d'une juste confiance les billets nationaux soient "estimés partout à l'egal du numeraire effectif," &c.

Supposing, for example, that the Crown should, in the exercise of this prerogative attributed to it by the House of Commons, issue a number of pieces, of weight and purity of standard corresponding to those of the present sixpences, and that it should by proclamation order them to pass for the value of shillings; could this act of the Crown produce the smallest alteration in the relative value of bread, or of any other article, to the coin of these realms? What is there in such a proclamation that would prevent the baker from reducing his loaf one half, or from asking two of these new shillings for the loaf which the day before was sold for one? Yet, by either of these means, the exact proportion that coin bore to bread in value, before the proclamation was issued, would be maintained.

It is obvious, therefore, that if the Crown possessed the prerogative which the House of Commons attributed to it, the value of coin in relation to bread could not be raised otherwise than by fixing the value of bread, as well as that of coin; or in other words, by imposing a maximum on the price of bread.

Neither could the value of money, in reference to that of other commodities, be either raised or diminished, but by a similar proceeding with regard to each article, the value of which was to be measured by the coin of the realm. Thus it would require that the Crown should possess the right of imposing

a maximum on the value of all articles of commerce, before the sovereign could enjoy that prerogative the House of Commons has declared he possesses.

If then there existed no other motive but respect for the Commons House of Parliament, it seems necessary to attribute the resolution they have placed on their journals, to their being hastily betrayed into an opinion, on a subject on which they must have been ignorant :—for it is impossible to accuse them of being traitors to their constituents, and to their country, to such an extent as to have intended to attribute to the Crown the power of regulating the value of all articles, whether of luxury or of necessity; yet that the prerogative they have attributed to the sovereign necessarily involves that power, is certain, for without it the right *of altering or varying the value* of the coin of these realms could not exist.

This discussion concerning the power of denomination to confer or to alter the value, which the resolution of the House of Commons supposes it to possess, might at any other time be considered as unnecessary in a country whose ancient laws have so clearly expressed that the weight and purity of their standard are the sole source of the value of its coins.* But when it is

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* In the statute de Moneta (20 Edward I. stat. 4.) it is ordain ed,

seriously stated by men of high authority, that denomination is a more stable and invariable foundation of value for paper than convertibility into coin on demand.—When it is even proposed to Parliament to resolve that neither gold nor silver ever did possess, or ever can possess the various important and necessary qualities for conducting the circulation of a country.* The doctrines that paper, as

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dained, " that he who receives or pays money, shall receive or " pay the same by weight; and that the vicar or warden of the " parish shall weigh the same; and in case it be new money, " and the pound weighs not twenty shillings; and in case of " money that is much used, if the pound wants sixpence, it shall " be re-delivered to him who brought the same."

At this time the pound in tale, being the same with the pound in weight, it appears that no new money could be received or paid but of full weight, and that money worn was not permitted to be current, after the loss of one fortieth part of its weight.

* Lord Stanhope, in his Resolutions submitted to the House of Lords, 12th July, 1811, and ordered to be printed by that House, after stating all the various requisites of any material, for forming a legal standard measure of value, proposed to that House to resolve, " That neither gold nor silver ever did possess, or ever " can possess, the various important and requisite qualities which " are above particularly specified; and that not only each of " those precious metals, (technically so called) but likewise every " one of the other articles of merchandise, by means of which " British debts to foreign nations can be discharged, is (from the " irremediable fluctuability of their value, arising from the ne- " cessary fluctuability of the course of foreign exchanges) an " improper

the mere abstract expression of value, is more likely accurately to preserve its value; and that in practice it is the value gold and silver naturally possess that subjects them to the variations that disqualify them for the conduct of circulation; acquire such countenance and support, that it becomes a duty to expose every argument by which they have been defended.

In other times, these visionary schemes for con-

" improper and an unfit legal standard to serve as a fixed, inva-
" riable, and permanent measure of the relative value of different
" commodities and things within the country itself, which is the
" grand and essential end and object of an internal circulating
" medium."

Lord Stanhope's opinions generally possess novelty and originality, but these resolutions display neither; they are really a repetition from Mr. Law, who seems to have had the same ideas on the disadvantage of gold and silver as circulating medium; for in the 3d article of the Arrêt, dated 22d January, 1720, he advised his sovereign to announce the following regulation:

" S. M. voulant ôter tout pretexte à ses sujets de se plaindre
" des peines qu'elle pourra ordonner dans la suite contre ceux
" qui ont gardé de vieilles espèces, elle permet à tous ses sujets
" et aux etrangers jusqu'au dernier Fevrier prochain inclusive-
" ment, de faire sortir hors le Royaume les espèces anciennes
" et nouvelles, et les matières d'or et d'argent, étant plus avan-
" tageux à l'etat que les sujets de S. M. les fassent valoir dans les
" pays étrangers, que de les retenir dans le Royaume sans circu-
" lation, en conséquence, ordonne Sa Majesté que pendant le dit
" temps, et sans qu'il soit besoin d'aucune permission, tous mes-
" sagers et autres voituriers puissent se charger des dites especes."

ducting the exchanges of a country by what may be multiplied to any extent, and therefore can possess no fixed value, would have been only alluded to as a proof, that there existed some radical error in the principle on which our circulation is conducted; for on such occasions these opinions have uniformly found their advocates:—but the weighty authorities from which they have recently derived support; nay, the majorities of Parliament, by whom they have been listened to with favour, have made the consideration of them a necessary prelude to the task of establishing by direct proof, the depreciation of our paper currency.

A distinction between bills of credit, or state notes issued by government, and notes of a corporation of merchants conducting a bank independent of government, has been also much relied upon by those who have attempted to display the advantages arising from the restriction, and the subsequent conduct of the banking establishments throughout England.* And this distinction has been in a certain degree countenanced by some who in many respects have shewn themselves to possess an accurate knowledge of the subject; for even by them, Bank Notes have been stated as deriving

* See Lord Castlereagh's Speech on Lord Stanhope's Bill, page 44.

value from confidence, and contrasted with government paper, on which authority is supposed to confer value.*

It is certain, however, that no paper, whether issued by a corporation of merchants, or by a government, could be introduced into circulation independent of confidence.—State notes, or government paper, has been generally issued in payment of services performed, or for commodities furnished to the public.—The notes of banking establishments have been either advanced to government to accomplish these objects, or to individuals on the security of goods which they possess or have transferred.

But in neither case would they be accepted of, nor could they circulate, independent of a confidence, on the part of those who receive them, that they will possess an identity of value when they are paid away. For the notes of no government, however powerful or absolute, can procure the service of those it employs, but from a confident opinion in its servants, that they represent something, the value of which will enable them to secure the clothing and subsistence necessary for their existence.

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* See Mr. Mushett's pamphlet, page 7, and Mr. Huskisson's, page 3.

If authority alone could give value to paper, it would be difficult to discover why the same power could not maintain it accurately in possession of the degree of value it had bestowed. Yet experience shews us that a want of punctuality in the discharge of them, and an excess of quantity, alike affect the value of State Paper and of Bank Paper; and that it is impossible to bring the one into a state of depreciation by means that would not equally affect the value of the other.

The dictates of authority short of introducing a maximum, can alone injure the interests of those who are bound by past contracts; and whether the paper is that of government, or of a banking company, the injury is equally inflicted by a system of laws which contrives to make either the one or the other a legal tender.

It is, perhaps, true, that paper issued by government, has been oftener reduced into a state of depreciation, than paper issued by establishments unconnected with government; but that only authorizes the inference, that there has been a greater frequency of imprudent management in the issues of the former than of the latter; it establishes no difference in the nature of the paper itself, for the paper of no government ever lost value by means which, if pursued, would not have discredited that of any corporate body.

From the manner in which every illustration derived from the fate of bills of credit, and government or state notes, as bearing upon Bank of England Paper, is reprobated, it would appear there exists a notion, that paper issued directly by the government of a country, is from its nature doomed to immediate depreciation.—But is this true?—Did not the assignats of France, and the paper dollars of the American congress, circulate for a length of time, without sustaining any diminution of value?—and was it not an excess of quantity to which their ultimate depreciation in value is solely to be attributed?

In the former case, it must be known to those who are acquainted with the history of that singular period, that the sixteen millions of livres issued under the decree of the 19th of November, 1789, maintained undiminished value for a length of time, and it is in the recollection of all, that they were in France issued with confidence, and received by practical merchants with enthusiasm, equal to what is now boasted of as existing in relation to Bank Notes, by those who vindicate our extended issues of Bank Paper. Nay, the speeches delivered at that time might almost pass for translations of what we have heard at the Bank, and in places which command a still higher degree of respect.*

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* The following are Extracts from the Report to the National Assembly

Even after, the only difference in the financial factions in the Assembly of France was, as described by Mr. Burke, on the greater or lesser

Assembly, made by Monsieur Anson, member of the Committee of Finance, on proposing the first emission of assignats to the extent of sixteen millions of livres.

" Nous avons entre les mains des addresses revêtus des sig-" natures les plus recommendables des manufacturiers et " commerçans, qui réclament un nouveau numéraire. Vous " n'avez point oublié cette addresse éloquente et patriotique des " négocians de Bourdeaux, de cette cité si célébre dans les fastes " du commerce ; elle a adopté l'une des premières la circulation " des assignats ; son example sera suivi de toutes ses rivales, ainsi " que de toutes les villes qui ne peuvent prétendre à l'étre.

" Elle a envoyé son adhésion anticipée à celle des opérations " de finances qui vous paroîtroit la plus adaptée aux circon-" stances : ses commerçans réunis l'ont appuyée d'un serment " solemnel : bientôt la circulation des assignats deviendra la plus " libre des opérations puisqu'elle sera secondée des efforts et des " volontés de tous.

" Vainement, Messieurs, vous objectera-t-on que l'exces d'un " tel numéraire, en concurrence avec le numeraire réel,deviendroit " très préjudiciable ; oui, sans doute, si ces deux numèraires pou-" voient long-temps restér en concurrence ; mais d'abord le numé-" raire réel de la France est depuis long-temps au dessous des besoins " de son industrie. En ce moment, l'or et l'argent se cachent : " ils s'enfouissent[a] et la malveillance les resserre : le papier ne " sera donc pendant quelque temps qu'un heureux remplace-" ment."

[a] The gold and silver, as explained in this report, had been driven from circulation by the paper of the Caise d'Escompet, which had been issued to an enormous extent.

quantities of assignats, which were to be thrown into circulation; when, as he expresses it, they had all become professors in assignats; their difference in value from gold is recorded by him to have been only seven per cent.*

Neither did the author of the Reflections on the French Revolution allude to this distinction betwixt the paper of a government and that of a corporation of merchants, when he so eloquently described the circulating paper of England, and contrasted it with that of the revolutionary government of France.

Of the former, he at that time truly stated, "That in England not one shilling of paper money "is received but of choice: the whole of our paper "has had its origin in cash actually deposited, and "is convertible, at pleasure, in an instant, and "without the smallest loss, into cash again.—It is "of value in commerce, because in law it is of "none. It is powerful on Change, because in "Westminster-Hall it is impotent. In payment of "a debt of twenty shillings, a creditor may refuse "all the paper of the Bank of England.—Nor is "there amongst us a single public security, of any "quality or nature whatsoever, that is enforced

* See Mr. Burke's Works, quarto edition, vol. iii. page 311.

" by authority. In fact, it might be easily shewn, " that our paper wealth, instead of lessening the " real coin, has a tendency to increase it ;—instead " of being a substitute for money, it only facilitates " its entry, its exit, and its circulation ; that it is " the symbol of prosperity, and not the badge of " distress. Never was a scarcity of cash and an " exuberance of paper a subject of complaint in " this nation."

In stating his opinion of the latter, he describes the government of France to be in a dilemma—" If " they continued to receive the assignats, cash " must become an alien to their treasury :—if " the treasury should refuse those paper amulets, " or should discountenance them in any degree, " they must destroy the credit of their sole re-" source." Under these circumstances, he adds, " They seem to have made their option, and to " have given some sort of credit to their paper, by " taking it themselves ; at the same time, in their " speeches, they *made a sort of swaggering declara-" tion,* something, I rather think, above legislative " competence ; that is, that there is no difference " in value between metallic money and their as-" signats. This was a good stout proof article of " faith, pronounced under an anathema by the " venerable fathers of this philosophic synod—*cre-" dat* who will—certainly not *Judæus Apella.*"

From these remarks, so truly characteristic of Mr. Burke, it is evident that the preference given by him to the notes of the Bank of England, was founded on more solid considerations than the mere distinction betwixt the paper of a private corporation and the paper of government. Far less can it be supposed that this circumstance could have had any weight on his mind, had he lived to see the notes of that establishment for fourteen years not convertible into cash on demand, during which time the country has surrendered the regulation of the quantity of paper that should be thrown into circulation to the unchecked discretion of the Directors of the innumerable establishments, whose profits depend upon the increase of it.

For we cannot believe that he, who when assignats were inferior in value to coin, only to the extent of seven per cent. doubted of the legislative competency of declarations that they were equal in value to metallic money, could have approved of a formal resolution of the House of Commons, declaring the notes of the Bank of England equivalent to the coin of the realm, at a time when there existed a difference in their value to the extent of nearly twenty per cent. Still less can we suppose, that he who commented with so much just severity on the speeches of those who had the management of the French finance, would have abstained, upon the mere ground of our notes being issued by a corporation, from ex-

pressing an increased degree of indignation at the swaggering speeches of those in office, who, during the last session of parliament, threatened the nation with making paper a legal tender, should any one dare to exercise that choice, betwixt paper and coin, the existence of which he had regarded as the foundation of our credit.

In America, it is true, the paper dollars issued by the government of that country, began to sustain a diminution of value before they amounted to a sum equal to what was at first thrown into circulation in France. But it is also true that they remained equivalent to metallic money, for more than a year after the Congress had recourse to that means of providing for the maintenance of their armies.*

* From the Remembrancer in the year 1775, we learn, that early in the month of June, the Congress passed a vote to strike off two millions of Dollars value seven shillings and sixpence in our currency; and the following short account of their progress, during the next year, is extracted from Dr. Ramsay's History of the American Revolution.

On the 25th July, 1775, it was resolved to add another million of Dollars to the one already voted. For their redemption they pledged the Confederated Colonies, and directed each Colony to find ways and means to sink its proportion and quota in four annual payments, the first to be made on or before the last of November 1799; that time was fixed upon from an expectation, that previous to its arrival, the contest would be brought to a conclusion. On the 29th November, 1775, an estimate having been made by Congress of the public expences already incurred, or likely to be incurred, in carrying

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They even circulated at par three months after the enormous sum of twenty millions of dollars had been issued, commanding the resources of the country for public services equally with the same sum in gold or silver.

At last by the great rapidity with which their issues were increased, in the Autumn of 1776 their paper was brought into a state of depreciation. Then it was that the Congress, the Committees of Public Safety, and the various provincial assem-

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on their defence till the 10th June, 1776, it was resolved to emit a further sum of three millions of Dollars, to be redeemed as the former, by four annual payments, the first to be made on or before the last day of November 1783. It was at the same time determined that the quotas of bills to be redeemed by each colony, should be in a relative proportion to their respective number of inhabitants. This estimate was calculated to defray expences to the 10th of June, 1776, on the idea that an accommodation would take place before that time. Hitherto all arrangements, both for men and money, were temporary, and founded on the supposed probability of a reconciliation. Early in 1776, Congress obtained information that Great Britain had contracted for 16,000 foreign mercenaries, to be sent over for the purpose of subduing America. This enforced the necessity of extending their plan of defence beyond the 10th of the next June. They therefore, on the 17th of February, 1776, ordered four millions of Dollars to be emitted, and on the 9th of May, and 22d July following, emitted ten millions more on the same security. Such was the animation of the times, that these several emissions, amounting, in the aggregate, to twenty millions of Dollars, circulated for several months without any depreciation. Vol. ii. p. 126.

blies, came to resolutions and passed acts, which though in words differing, are in substance the same with the enactments proposed and adopted during the last session of parliament* in support of the notes of the Bank of England.—At last

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* That the reader may at once see the similarity of the measures, at first adopted to sustain the credit of the government paper in America, and to maintain the credit of the notes of the Bank of England, it is thought right to subjoin the following extracts from the proceedings of last session, and to contrast them with what took place in America under similar circumstances.

Extract of the Act as proposed by Lord Stanhope.

That from and after the passing of this act, no person shall receive for any double guinea, single guinea, half-guinea, or seven shilling piece, respectively, any larger sum than forty-two shillings, twenty-one shillings, ten shillings and sixpence, or seven shillings, respectively; and that no person shall receive for any note of the Govenor and Company of the Bank of England, any smaller sum than the sum therein mentioned to be payable to the bearer on demand.

Extract of the Bill as it passed into an Act.

That from and after the passing of this act, no person shall receive or pay for any gold coin lawfully current within the realm, any more in value, benefit, profit, or advantage, than the true lawful value of such coin, whether such value, benefit, profit, or advantage, be paid, made, or taken in lawful money, or in any note or notes, bill or bills of the Governor and Company of the Bank of England, or in any silver token or tokens issued by the said Governor and Company, or by any or all of the said means, wholly or partly, or by any other means, device, shift, or contrivance whatsoever.

And

their paper dollars continuing to increase, and in consequence to depreciate, that measure was resorted to in the month of February 1777, with which this country has been threatened, and the Con-

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And be it further enacted, by the authority aforesaid, that no person shall by any means, device, shift, or contrivance whatsoever, receive or pay any note or notes, bill or bills of the Governor and Company of the Bank of England, as of less value in money, except lawful discount, than the sum expressed therein to be thereby made so payable.

Extracts from various proceedings in America, during the year 1776-7.

Resolutions of Congress, Dec. 27, 1776.

Resolved, that the Council of Safety of Pennsylvania, be requested to take the most vigorous and speedy measures for punishing all such as shall refuse Continental Currency, and that the General be directed to give all necessary aid to the Council of Safety for carrying their measures on this subject into effectual execution.

Remembrancer for 1777. Page 36.

Extract of the Act of the Council of Safety. Philadelphia, January 1, 1777.

Resolved, that if any person or persons, from and after the publication of this resolve, shall refuse to take Continental Currency in payment of any debt or contract whatsoever, or for any goods, merchandise, or commodity offered for sale, or shall ask a greater price for any such commodity in Continental Currency, than in any other kind of money or specie, on full proof made thereof before any three members of any County Committee, or any three field officers of militia of this state; the person or persons so offending, shall, for the first offence, be considered as a dangerous member of society, and forfeit the goods offered for sale, or bargained for, or debt contracted,

gress Bills of Credit, became in payment a legal tender, an act of violence which was soon followed up by regulations on the part of the various provincial assemblies, limiting the value of all the various articles of commerce,* the only means, as

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tracted, to the person to whom the goods were offered for sale, or by whom they were bargained for, or from whom such debt is due. *Ibidem, page* 37.

Resolution of the Albany Committee, January 21, 1777.

Resolved, that every person who shall offer any thing for sale, or shall sell any thing for a less sum in gold and silver money, than in continental or other paper money, now passing current in this country, shall be considered as a depreciator of the paper currency, and treated accordingly; and that every person who shall refuse to take the same in payment shall be treated in like manner. *Ibidem,* p. 81.

* That the people of this country may see the nature of the measure with which in parliament they have been threatened, in Appendix No. 1, a copy is given of the act of Congress, making paper Dollars a legal tender; and the following statement of prices as fixed by the state of Connecticut, may serve as a specimen of those regulations which ensued as necessary to render the measure effectual.

Regulation of Prices as fixed by the General Assembly of Connecticut, February 1777.

Labour in the Summer not to exceed 3*s.* per day; Wheat 6*s.* per bushel; Rye 3*s.* 6*d.* Indian corn 3*s.* Wool 2*s.* per pound. Flax 10*d.* Pork from 5*s.* to 7*s.* per score, 3¼*d.* per pound; from 7*s.* to 10*s.* 3¼*d.* from 10*s.* and upwards 3½*d.* Grass fed Beef not to exceed 24*s.* per hundred; so in proportion according to its quality;

has been already shewn, by which any government can give that value to its currency, that it does not naturally command.

These measures of violence and injustice, however, were not, as indeed they never can be in any country, of long duration; for on the 1st of October, 1778,* Congress resolved that all limitation on the price of gold and silver should be taken off. But that it was solely the excessive amount of paper thrown into circulation, which in the opinion of Congress produced the fatal diminution of value in their Bills of Credit, is apparent from the preamble to an act passed July 27, 1779, for the purpose of raising money by loan, in which it is stated that Congress, "being bound by every "motive of policy, and of public and private justice, "to maintain the credit of the paper money emit- "ted by their authority, on the faith of the United "States, it is their intention not only to avoid "further emissions, but to diminish the quantity

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quality; Raw hides 3*d.* per pound; Salt 10*s.* per bushel; West India Rum 6*s.* per gallon, per hogshead; best Muscovado Sugar 60*s.* per hundred; New England Rum 3*s.* 6*d.* per gallon, per hogshead; Molasses 3*s.* per gallon, per hogshead; Tea 4*s.* 6*d.* per pound; Butter 10*d.* Cheese 6*d.*

Ibidem, 1777, p. 130.

The above prices are in Continental Currency.

* Ibidem, Vol. 1778-9, p. 347.

"in circulation."* Thus, evidently declaring both, that a diminution of value could only be produced by an augmentation of their quantity, and that their value could only be sustained by a diminution of their amount.

Nothing, indeed, can be so clear, as that it was the quantity of paper thrown into circulation, and that alone, which in America produced the depreciation of the paper issued under the authority of Congress. For in the years 1776 and 1777, when the cause of the United States appeared desperate, the comparatively small quantity that was issued, circulated for a length of time at par, and afterwards sustained only a slow and gradual diminution of value: whilst in the three following years, though the events of the war, the Treaty with France, and the other European alliances, gave to the cause of those who issued the paper, the certainty of success, the quantity thrown into circulation reduced its value to a trifle.†

Neither does the opinion, that the depreciation of Government Notes and of State Bills of Credit has been uniformly and exclusively the effect of an over issue, rest solely on what occurred in the course of the French and American revolutions.

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* Ibidem, 1779, p. 41.

† On this subject, see an Essay on Money, by the Rev. Dr. Witherspoon.

These, indeed, may be considered as the instances in which this abuse has recently been carried to the greatest extent, but the history of all our American colonies, whose respective governments, in the early part of the last century, issued Bills of Credit, form one continued illustration of the principle.

The paper emitted in all of them, at first circulated at par, or, as they expressed it, at silver value. Those who regulated the amount thrown into circulation by the dictates of prudence, were rewarded with the continuance of a metallic circulation, and a favourable exchange. Those, on the other hand, who rashly presumed on seeing a small amount circulate at par, that they had discovered an inexhaustible mine, and who listened to the sophistry of many, who in those days as at present, argued, that the terms, Dollar, Crown, Livre, Pound, were to be considered as exponents or denominations of certain proportions; and that by retaining the denomination after the bullion was gone, things might be rated, bought and sold, and a commercial circulation kept up; had daily experience of the fallacy of the theory on which they acted.

For when, in any of these colonies, large sums were emitted, silver and exchange uniformly rose. When Bills were cancelled, in value equal to what was paid out, silver and exchange were at a

stand; and when more in amount were cancelled than were emitted, exchange became more favourable, and silver fell.*

But the history of the paper issued by the governments of New York and of Barbadoes, furnishes of all others the most complete proof that government paper, if issued with prudence, will, like the notes of a corporate body, circulate at par; and that the depreciation of Bills of Credit uniformly arises from an imprudent extension of the amount.

In the former, just as the mass of paper was increased, silver increased in value, and exchange became unfavourable, till it rose to four hundred and forty; when the cancelling a greater value in one year than was emitted, reduced the exchange to four hundred.† In the latter, encouraged by

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* See the Discourse concerning the Currencies of the British Plantations in America, especially with regard to their Paper Money, first printed in Boston, afterwards reprinted in London.

† In New England, after silver had rose A. 1706, to 8*s.* per ounce, by light pieces of eight superseding the heavy pieces, it continued at that rate while paper emissions did not exceed a due proportion to the current silver. A. 1714 we emitted £50,000. upon loan; and A. 1715 in Rhode Island £40,000. besides emissions on distant funds for charges of government: in the autumn A. 1715, silver became 15 per cent. advance above 8*s*, that is,

Dollars circulating at par, when emitted to the extent of sixteen thousand, they were induced to enlarge the issue of Bills to the amount of eighty thousand pounds more, when the whole immediately fell forty per cent. below silver value, at which rate they remained till, by an order from home, they were again reduced to sixteen thousand pounds, when they resumed their value, and continued to circulate at par.

But it is needless to multiply illustrations of a

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is, about 9*s*. 2*d*. per ounce ; Massachuset's Bay, A. 1717, emitted £100,000. upon loan, at a very long period : silver rose to 12*s*. per ounce. A. 1721, Massachuset's Bay emitted £50,000. and Rhode Island £40,000. upon loan : silver A. 1722, became 14*s*. per ounce. From that time a chargeable Indian war required large emissions, and silver rose to 16*s*. per ounce : it continued at this rate till A. 1728, emissions not being larger than cancelling. A. 1727, Massachuset's Bay emitted £60,000. and A. 1728, Rhode Island emitted £40,000. upon loans; silver became 18*s*. per ounce. A. 1731, Rhode Island emitted £60,000. upon loan. (*N. B.* Besides the several loans in the course of this history, all the charges of the four governments were defrayed by paper emissions,) and silver became A. 1732, 21*s*. per ounce. A. 1733, Massachuset's Bay emitted £76,000. upon Funds of Taxes ; Rhode Island, £104,000 upon loan and taxes ; Connecticut £50,000. upon loan, and A. 1734, silver became 24*s*. per ounce. From A. 1734 to 1738 more bills were cancelled than emitted ; Exchange fell from 440 to 400 per cent. advance. A. 1738 Rhode Island emitted £100,000. upon loan ; silver rose from 27*s*. to 29*s*. per ounce.

Discourse concerning the Currencies of the British Plantations. Page 23. Edition 1751.

principle, over and over again recognised, and acted upon by the British legislature, in the case of Bills of Credit issued by our colonial governments.*

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* *Preamble to the Act of the 24th Geo. II. ch. 53.*

Whereas the Act of Parliament, made in the sixth year of her late Majesty Queen Anne, intituled, An Act for ascertaining the Rate of foreign Coins in her Majesty's Plantations in America, hath been entirely frustrated in his Majesty's said Colonies of Rhode Island, and Providence Plantations, Connecticut, Massachuset's Bay, and New Hampshire in America, by their creating and issuing from time to time, great quantities of Paper Bills of Credit, by virtue of acts of assembly, orders, resolutions, or votes, made or passed by their respective assemblies, and making legal the tender of such Bills of Credit in payment for debts, dues, and demands; which Bills of Credit have for many years past been depreciating in their value, by means whereof all debts of late years have been paid and satisfied with a much less value than was contracted for, which hath been a great discouragement and prejudice to the trade and commerce of his Majesty's subjects.

Extract from the Preamble of the 4th of Geo. III. ch. 34.

Whereas great quantities of Paper Bills of Credit have been created and issued in his Majesty's Colonies or Plantations in America, by virtue of acts, orders, resolutions, or votes of assembly, making and declaring such Bills of Credit to be legal tender in payments of money: And whereas such Bills of Credit have greatly depreciated in their value, by means whereof debts have been discharged with a much less value than was contracted for, to the great discouragement and prejudice of the trade and commerce of his Majesty's subjects by occasioning confusion in dealing.

Distinctly, however, as a limitation of the amount of issues has been stated and recognized by parliament, in the year 1751, and again in the year 1763, as essential to the maintenance of the Credit of State Notes; it is impossible that any one conversant with the conduct both of the Directors of the Bank of England, and of the Banks in Scotland, should not perceive that a due attention to the circumstance of the quantity of paper issued has been always considered as equally necessary for the preservation of the value of the notes circulated by those establishments.

So much were the Directors of the Bank of England convinced of the advantage of possessing at all times, even an extraordinary power of diminishing the mass of notes thrown into circulation, that for many years, when the interest of money was very low, they borrowed one hundred thousand annually, at six and a half per cent. to have the privilege of calling on the lenders at a moment's notice for nine hundred thousand more, acquiring in return for the extraordinary interest paid, nothing but the power, by calling in the nine hundred thousand pounds, of rapidly withdrawing that amount of their notes from circulation.

In Scotland, about the year 1762, the Exchange with London had become highly unfavourable, and coin bore a considerable premium, insomuch that tedious obstructions were thrown in the way

of cash payments, which were at last obtained from the Bank with the greatest difficulty. The Directors acting under a conviction that this was the effect of an over-issue and consequent depreciation of paper, came to a resolution on the 26th of January of that year, of limiting their issues, by calling in one-fourth of their cash accounts, and in the month of March following they determined for the same purpose to borrow money at five per cent. on Promissory Notes at six months, and four per cent. on cash accounts.

This conduct was described at the time as highly illiberal; it was arraigned as ruinous to the progress of trade and manufactures: the Directors were told that the more they lent on paper security, the greater was the safety of their establishment, for that by such loans trade was increased, and that increase of trade, extending the number of transactions, was sure to give rise to a demand for a greater quantity of circulating medium.*

Even Sir James Steuart, seems to have disapproved of their conduct, declaring that he could not discern the benefit a bank could derive from borrowing in a country in which it was the centre

* See Considerations relating to the late order of the two Banks established at Edinburgh, by which they have recalled one-fourth of their cash accompts. *Printed* 1762.

of circulation; nor what advantage it could acquire by withholding its notes from those who could give good security for them.*

Fortunately, however, for the country, the Directors persevered in the salutary expedient of limiting their issues; in which course they were encouraged, whilst their conduct was ably defended by a person of the highest rank and reputation for talents,† and the wisdom of the measure was subsequently proved by its complete success. For the author of the Wealth of Nations, who discerned that it was an excess of paper that gave rise to these appearances, tells us, that the banks, by refusing to give more credit to those to whom they had already given a great deal too much, took the only method by which it was possible to save either their own credit, or the public credit of the country.‡

No series of events, however, so distinctly displays the effects of an excess either of Government Paper, or of Bank Paper, as those that took place in the early part of the reign of William III. be-

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* An Inquiry into the Principles of Political Economy. Vol. ii. page 184.

† See Letter to J. F. supposed to have been written by Lord Elibank.

‡ Wealth of Nations. Quarto Edition, vol. i. page 379.

fore and immediately after the establishment of the Bank of England.

For whilst the facts that may be collected from indisputable authority, leave no doubt of the nature of the economical evil under which the country then suffered, the details rightly understood, at once shew the injurious effects of an over-issue of Government as well as of Bank Paper, and throw a fatal light on the fancied prosperity which of late years has been so much boasted of.

Sir James Steuart says, that at the revolution, when gold was to silver rather above the proportion of one to fifteen, as appears by the convention of Leipsic, when the German coinage was regulated in 1690, guineas were at twenty one shillings and sixpence; and from hence he infers with certainty, that the English silver coin was standard weight, because the guinea being left to seek its own price, did not rise above that sum, which is in the proportion of fifteen and six-tenths to one.*

Within a very few years, however, after that happy event, the silver coin of England was by washing and clipping much diminished in its real

* Inquiry into the Principles of Political Economy. Vol. i. page 604.

value, for the statements both of Mr. Locke and of Mr. Lowndes, in the beginning of the year 1695, concur to make this indisputable, whilst the former, by celebrating the dexterity attained by those concerned in this gainful and secret robbery shews, that when he wrote, the practice must have endured for some time.

Though the prevalence of this fraud, the laws remaining the same, makes it apparent, that some incident must have occurred peculiarly calculated to encourage the criminal practice which in a few years became so universal; yet by historians as well as economical writers, the circumstance remains unaccounted for.

To those, however, who reflect that soon after the revolution, the expences of the war induced government to issue Tallies, which being struck for sums as low as five and ten pounds, circulated as Government Paper; and that these were gradually forced on the public, till in the year 1694 they were at thirty per cent. discount, the occurrence cannot appear extraordinary.* On the con-

* The Bank gives money for Tallies on Funds, having a credit of loan by act of parliament, and which are payable in two years time, for the growing interest only, without any other allowance, on which there was used to be paid for the change as much or more than the public interest. For even on the Land Tax, which

trary, it would have been strange indeed if that adulteration of the current coin had not taken place in this country, which in Sweden, in our American colonies, and in all other parts of the world, had been the constant and uniform attendant on an over-issue of paper.

Accordingly it is certain, that on the 27th of July, 1694, when the Charter of the Bank of England was granted by the crown, as empowered by the 5th of William III. these Tallies or Government Notes were at a discount of at least thirty per cent. whilst the silver coin, then the only

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which is counted the best of all the funds, there has been frequently given on Tallies payable in three or four months time, one pound, one and a half, one and three-quarters, and two per cent. premio, over and above the public interest; and Tallies on some funds, on which but twelve or eighteen months past, there was £25. and thirty per cent. given over and above the public interest, are now taken by the banks for nothing; and instead of allowing money to change them, there is now money given to procure them; so that Tallies are become better than money, because there is seven or eight per cent. per annum benefit whilst they are kept; and they are paid by the Bank upon demand.

Short Account of the Bank of England: printed 1695, p. 2. *The author of this Tract, Michael Godfrey, Esq. was, at the time, Deputy Governor of the Bank of England.*

The Bank of England hath also in twelve months past greatly advanced the reputation of Tallies, which are now become (instead of thirty per cent. loss on them) to be as desirable as money itself;

legal tender, was nearly in a corresponding state of depreciation.

By the great purchases of Tallies speedily made on account of the Bank, as well as by the facility of purchasing, to which the liberal accommodation afforded to individuals by that establishment gave rise, this species of government paper was rapidly withdrawn from circulation, and of course soon brought to par.*

But the substitution of Bank Paper not bearing interest, instead of Tallies bearing interest, that were thus withdrawn, more especially as the former were circulated to a greater amount, was rather calculated to accelerate than to retard the progress of the evil which occasioned the debasement of the coin: and, as might therefore be expected, the silver currency was, in the month of January following, in such a state as to attract the attention of parliament; when a committee of

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itself; and therefore, instead of giving money to change them, money has been given to procure them.

Reasons for encouraging the Bank of England: printed 1695, page 3.

* The private necessities of single persons have been also easily and cheaply supplied in these instances; viz.

I. In lending money on Mortgages, at five per cent. without any procuration or continuation.

II. In discounting foreign and inland Bills of Exchange, some at three per cent. and others at four and a half per cent.

III.

the House of Commons was appointed to receive proposals how to prevent clipping of the coin: And though in the course of that session of parliament, no final legislative arrangement resulted from this measure, the intention of government to renew the silver money of the kingdom, at the public expence, became apparent, from the report made on the 12th of March, and the resolution of the House on the 11th of April following.*

That the clipping and adulteration of the coin

III. In lending money on pawns at five per cent. whereas some in their necessities have heretofore paid above 100 per cent. for money lent them on pawns.

Ibidem, p. 4.

* Mr. Scobell reported from the committee appointed to receive proposals how to prevent clipping of the coin of this kingdom for the future; and the exportation of silver; and to report the same to the House: that the committee had received several proposals accordingly, and had agreed upon several resolutions; which they had directed him to report to the House; and he read the same in his place, and afterwards delivered the same in, at the clerk's table; and are as follow, viz.

I. Resolved, That it is the opinion of this committee, that the best way to prevent clipping the silver coin of this kingdom for the future is to new-coin the same into milled money.

II. Resolved, That it is the opinion of this committee, that ten hundred thousand pounds is a sufficient sum to make good the deficiency of the present clipped coin of this kingdom.

Journals of the House of Commons, 12*th of March*, p. 265.

On the 11th of April following, it appears, that on taking this report

about this time increased to a most alarming degree, is recorded in a variety of publications of the day.* By some the coin is said to have been even more impaired during the short space of time that elapsed betwixt this period and its being called in, than it was in the course of the five preceding years;† and that

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report into consideration, the House agreed with the Committee in the resolution, that a fund be granted to his Majesty for the encouragement of the mint.

* I would hope that it is not so bad as we fancy, and that great quantities of large money are hoarded up by those that can keep it, which is laid by now upon the fear of an alteration; and if nothing be done in it, necessity may force that abroad, and so come to be clipt, and thereby make the loss greater. *You have seen, and are convinced that had it been done in* 1694, *your money was not then so bad as it now is*, and it's dangerous to let a thing run too long without repair.

See a Letter from an English Merchant at Amsterdam, concerning the Trade and Coin of England, page 6, —1695.

And how dishonourable it is to the King and kingdom, that our money should be *so suddenly* debased to such a shameful degree, foreign states will soon determine.

See—The regulating Silver Coin made practicable and easy—1696—page 8.

† Historians who give an account of this transaction (the Resolution of the House of Commons in relation to renewing this money) think it not improbable, that more was clipt under the general licence than had been before.

Lord Liverpool, on the Coin of the Realm, page 191.

this must have happened is evident, when we reflect on the nature of the resolution adopted by the House of Commons, for in announcing that government was to be at the expence of renewing the coin, they proclaimed the certainty of profit to those who, by filing or by clipping, chose farther to reduce what was called its intrinsic value.

In such a situation, the necessity of paying in cash on demand;—that salutary means of restraining the issues of all banks within those limits which the trade of a country requires, must have become nugatory as a check; for though many, as at all other times, must have been anxious to procure loans from the bank, the notes thus issued never could be returned upon them, as no one could desire to obtain in exchange for notes of an establishment in full credit, coin that could only circulate within the kingdom, and the real value of which, in the year 1695, and the beginning of the year 1696, hardly amounted to one half of what its deno mination announced.*

Thus, without any legislative restriction on cash

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* Mr. Huskisson, in his pamphlet (page 103) and some other of the recent publications, have stated the coin in the reign of William III. to have been impaired thirty per cent. There can be no doubt, however, as appears by a variety of authorities, of which the following are a selection, that one hundred pounds in tale

payments, the circumstances of the country practically imposed a complete bar to the possibility of a demand on the Bank for coin; for no holder of notes

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tale was in value only equal to fifty pounds as issued from the mint.

No. I.—A Computation of the common weight of One Hundred Pounds of Tale in ordinary Silver Money at this day, taken from a Medium of the Bags weighed at the Receipt of Exchequer, in May, June, and July last, as it is given in Mr. Lowndes's Report, containing an Essay for the Amendment of the Silver Coin.

No. of Bags.	*What they ought to weigh.*			*Weight at the Exchequer.*			*Deficiency.*		
	oz.	*dwts.*	*grs.*	*oz.*	*dwts.*	*grs.*	*oz.*	*dwts.*	*grs.*
40	15,483	16	16	8,095	5	0	7,388	11	16
74	28,645	1	20	14,373	5	0	14,271	16	2
133	51,483	14	22	27,318	0	0	24,165	14	2
120	46,451	10	0	23,496	15	0	22,295	15	0
105	40,645	1	6	20,899	15	0	19,745	6	6
100	38,709	11	16	19,588	5	0	19,121	6	16
572	221,418	16	8	113,771	5	0	107,647	11	8

	oz.	*dwts.*	*grs.*
The medium of the weight of each hundred pounds,	198	18	$0\frac{1}{3}$
The medium of the deficiency	188	3	$21\frac{2}{3}$
	387	1	22

No. II.—Extract of an Essay for regulating of the Coin, by A. W. Merchant. 1696.

I have gone to several goldsmiths in London, and have got them to take out of their counters, a bag of one hundred pounds (as came to hand) which upon trial I have found at one place to weigh :—

A bag

could wish to get cash, that was less valuable, in exchange for what was generally esteemed so much

	oz.	dwts.	gr.
A bag of £100	230	13	6
Another place £100 weighed . . .	222	0	15
Another place	198	17	0
Another place	190	0	0
Another place	182	3	0
Another place	174	11	20
	1198	5	17

The six hundred pounds, weighing in all one thousand, one hundred, and ninety-eight ounces, five pennyweights, and seventeen grains, and is no more than what three hundred and ten pounds in milled money will weigh.

But as it is believed that the money in the country is generally not the one half so bad as it is in and near London, I have procured an account to be sent me from the following cities:

	oz.	dwts.	gr.
In the city of Bristol one bag of £100 weighed	240	0	0
Another weighed . .	227	15	0
In the city of Cambridge a bag of £100 weighed	203	5	10
Another weighed . .	211	0	19
In the city of Exon, one bag of £100 weighed .	180	7	0
Another weighed . .	192	3	0
In the city of Oxford, £100 in half-crowns weighed	216	10	0
£100 in shillings . . .	198	0	15
Oz. . .	1669	1	20

The eight hundred pounds weighing sixteen hundred and sixty-nine ounces, one penny weight, and twenty grains, is not more than four hundred and thirty-one pounds, fifteen shillings, of milled money will weigh.

No. III.—In Sir Richard Temple's short Remarks on Mr. Locke's Book, printed 1696, it is stated, page 9, That our silver

 coin,

more valuable, that even with a premium it required great industry to obtain them.*

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coin, by reason of its clipping, was not worth a moiety of its intrinsic value.

No. IV.—See also to the same effect Sir James Steuart, Quarto Edition, vol. i. page 605; and Lord Liverpool, page 76-7.

* No. I.—Bank Bills were sold for money, at half per cent. profit to the seller, and every body made use of their friends and interest to get their money lodged in the Bank, and that for sundry reasons.

As first, that money was so diminished and adulterated, that none could receive and pay it without trouble and loss. And,

Secondly, The Bank was esteemed a secure repository, not only upon account of their credit, it had always had and preserved from its first opening, but also for the great reputation of the managers of it, and likewise for its fund being settled by Act of Parliament, which is the greatest security any Englishman can have for his property.

Arguments and Reasons for and against engrafting upon the Bank of England, p. 6. *Printed November* 1696.

No. II.—At length by the rumour of calling in our coin, which made every one glad of any tolerable occasion to thrust it away from them; the difficulty also of counting it, and knowing either one species from another, or what was good, or what bad, inclining all persons to lodge their money with goldsmiths, merchants, or factors, to call for it as they had need, which trustees minding their own profit, bestowed it some way or other upon trade in way of circulation.

The Present State of England, as to Coin and public Charges, by J. Hodges, printed 1697, p. 77.

See also by the same author, the Groans of the Poor, the Misery

There is a uniformity in the conduct of men, in all transactions under similar circumstances, which shews how much our ideas as well as our actions are guided by the events of the day; neither is there any description of concerns in which this propensity is at all times so distinctly to be discerned, as in what relates to our pecuniary interests: and of this observation there is, perhaps, no where to be found a more powerful illustration, than what results from a comparison of the sentiments, and of the conduct of those who had in 1695 the management of the Bank of England, with that of those who have recently enjoyed the direction of that establishment.

For though the Governor and Deputy Governor of the Bank, acting under the restriction on cash payments, imposed by the legislature in 1797, had certainly adopted very erroneous opinions, when they announced, "Avoiding as much as possible "the discounting of what did not appear to be le-"gitimate mercantile paper," as an ample and satisfactory criterion for regulating their issues;* yet even this rule of conduct does not appear more calculated to occasion an excess of circulating paper, than that announced by the Deputy Go-

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sery of Traders, and the Calamity of the Public for Want of our Money. Printed 1696, page 14, where he distinctly states, that he had seen great striving to obtain Bank Notes.

* Report of the Bullion Committee, p. 97.

vernor in the year 1695, acting under the restrictions in cash payments, which the state of our coin practically imposed, when he unequivocally stated, "that all who wanted money, and who had "securities, knew where to be supplied."*

Accordingly, the extent of paper issued betwixt the time of the Bank's being established, and the spring of the year 1696, was proportionally greater, and the increase of it certainly much more sudden than it has been, even in our time.†

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* See a short Account of the Bank of England, by Michael Godfrey, Esq. *published in* 1695, p. 3.

† No. I.—In a letter to a friend concerning the credit of the nation, and concerning the Bank of England, printed 1697, alluding to the year 1695, it is said, that with that paper credit, that is, with goldsmiths and with Bank Notes, which amounted to near as much as all our current coin, the greatest part of our trade in and about this city of London was driven.

All foreign and inland Bills of Exchange, and all great payments were made in those notes, and very seldom any considerable sums were paid or received in money.

No. II.—And of late, when the coin grew so corrupted, the gold and silver did, as it were, but minister in the market, while all great dealings were transacted by Tallies, Bank Bills, and Goldsmiths' Notes.

Paper credit did not only supply the place of running cash, but greatly multiplied the kingdom's stock. For Tallies and Bank Bills did to many uses serve as well, and to some better, than gold and silver; and this artificial wealth which necessity had

At present it is a matter of dispute, whether the principles on which the Bank conduct the circulation of the country, is, or is not of advantage to the community. For whilst all who can think, are convinced that the superabundance of circulat-

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had introduced, did make us less feel the want of that real treasure the war and our losses at sea had drawn out of the nation. *Davenant's Works,* vol. i. p. 442.

No. III.—In a discourse concerning a Lombard Office, printed 1696, page 1, it is expressly stated, that the circulation of paper was at that time so extensive, that it appeared more than probable the national cash was hardly a third-part of the medium of commerce.

No. IV.—In Mr. Law's book, entitled, Money and Trade considered, it is said (Glasgow Edition, page 69) that "this "Bank, (meaning the Bank of England,) was safer than the "Goldsmiths' Notes in use before: it made a great addition to "the money, having a much greater sum of notes out, than "money in Bank, and the sum lent the king, which was the "fund belonging to the subscribers, was negociated at profit, and "had the same effect in trade as money."

Many other authorities might be quoted on this subject, but it appears unnecessary, because the extent of notes which must have been thrown into circulation cannot be doubted, when Mr. Godfrey, the Deputy Governor, states, that within a year they had raised Tallies from thirty per cent. discount to a premium, and lowered interest to a great extent. Indeed we are told in the argument for and against engrafting on the Bank, that Tallies were at thirty per cent. discount, and that goldsmiths had twelve and fourteen per cent. for discounting foreign Bills of Exchange, the former of which were soon brought by the Bank to par, whilst the discount of the latter was reduced to three per cent. page 15.

ing medium, or of unemployed capital, has advanced the price of commodities; raised the value of bullion; banished our coin from circulation; and rendered the exchange with foreign countries unfavourable; there are some from folly, and others from motives of interest, who attribute the augmentation of price to that increased demand which prosperity creates; whilst they profess to see ample means of accounting for the unfavourable exchange, and for a rise in the price of bullion, such as to make our coin disappear, in the state of the continent, that is falsely described as rendering the ingress of our commodities impossible, and as creating on that account a demand for our gold.

It is certain, however, that when the state of our coin, by preventing the possibility of a demand for cash, in exchange for the Bank Notes thrown into circulation, left Mr. Godfrey and his associates in the direction to conduct the concerns of the Bank without any chance of their experiencing a call for coin, the economical occurrences which attended the increase, and ceased with the diminution of their issues, can only be ascribed to a superabundance of paper.

Yet a rapid rise in the price of our commodities and of guineas, which at that time circulated as commodities;—a great reduction in the rate of interest;—a wonderful augmentation in the value of government securities;—and a still more rapid rise

in the value of Bank Stock, are all features, which as well as an advance in the price of gold,—and an increase of the unfavourable rate of exchange with foreign countries, distinguished the pecuniary history of the short space betwixt the establishment of the Bank of England, and the 4th of May, 1696, after which, under the enactment of the 7th of William and Mary, cap. i. sect. 5. it became the interest of individuals to return the surplus of notes in circulation for that standard coin in which even their taxes could alone be paid.*

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* That the price of commodities rapidly advanced in the year 1695, is asserted on the following authorities.

1st,—In Mr. Lowndes' Report containing an Essay for the Amendment of the Silver Coins, printed 1695, page 115, he states the people to suffer under great grievance, from the raising of the price not only of merchandise, but even of edibles and other necessaries for the sustenance of the common people.

2d,—In a Dialogue betwixt a Country Gentleman and a Merchant, concerning the fall of our guineas, wherein the whole argument relating to our money is discussed, printed February 1695, page 6, it is stated, "that the country had a brisk trade all the "last summer, in selling their manufactures at extraordinary "rates."

3d,—In a pamphlet entitled "The Groans of the Poor, the "Misery of Traders," by William Hodges, printed 1696, it is said page 16, that foreigners "have taken our goods of late in-"stead of money, and all our manufactures in England hath had "the greatest trade for exportation this year, *that it may be hath "been* this twenty years; and our goods risen.

4th,—In an Essay for lowering the Gold and raising the Silver Coin, printed January 1696, page 27, it is said, "it is plain all

commodities

It does not indeed appear, either in the discussion that took place on the bill for remedying the ill state of the coin of the kingdom, or on any other occasion

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commodities are "more advanced in price than guineas are by "name."

5th,—In a short treatise on the Reason and Causes why our Money and Bullion have been exported, printed early in 1697, it is stated, (page 18) that "Wool, which was sold at 36s. a tod, "about a year ago, has since the regulation of our coin been sold "for twenty shillings."

6th,—In a pamphlet entitled The Alteration of the Coin, with a feasible method to do it, humbly proposed to both Houses of Parliament, by Thomas Houton, of Lime-Street, Gentleman, printed 1695 (page 43) it is said, "Is there any thing more "fresh in our memory than what the people of this kingdom have "suffered for six years past, during all which time the manufac-"tures and goods of our products, as lead, tin, all sorts of cloth-"ing, &c. have been at such low prices." He then proceeds to state how much the times have grown better since the advance of guineas and the rise of goods.

The augmentation in the price of government securities is asserted on the authority already cited, note, page 106, to which many others might be added.

Of the value of the stock of the Bank of England, in the year 1695, we have the following account in a pamphlet, entitled, Arguments and Reasons for and against engrafting on the Bank of England, page 15.

And we found in a little time after the Bank was established, they obtained a mighty credit, and made considerable profits besides the 8 per cent. interest, though they made no advantage by discounting of tallies, and so brought them to par, and the discount of foreign Bills of Exchange from 14 to 3 per cent.

Those

during the session of parliament which terminated in the end of April, 1696, that the probable effects of this sudden transition from the

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Those great profits, and a just expectation of their continuance and increase, made every body desirous to buy bank-stock, and so in eighteen months after it was established, stock was sold at near 110 per cent, although at that time 60 per cent. was only paid in upon the subscription.

Various authorities may be adduced to shew the state of exchange at this time.

First, see A further Attempt towards a Reformation of the Coin, by R. Ford, page 10.—*Printed* 1696.

Secondly, see a Statement of the Exchange with Scotland and Ireland, in a Treatise concerning the Coin of the Kingdom, by R. C.—*Printed* 1696, *page* 15.

That the price of gold was advanced, and that similar causes were assigned for it, as have been of late, appears from the following very curious extracts from a Dialogue, printed in a Discourse of Money, in a letter to a Nobleman, 1696.

Question—" I would willingly be instructed by your reasons, how and in what manner this scarcity and dearness of gold and silver is come to pass in the world ; for the true reason being known and consented to, good use, I do not doubt, may be made to the public, of such knowledge.

" Answer—The reasons and causes of this scarcity I take to be manifold : I will name but a few, and shall begin with a main cause: and that is, the long and obstinate war in Europe, whereby, through the passion and ambition of princes and states, the regular established methods of business and intercourse of the world is broken. By sea, there is nothing but violence, piracy, and depredation ; whereby the hands of industry are weakened, and the great channel and roads of the world's commerce is possessed and beset by enemies and robbers."

He

clipped money to coin of the standard value—on the price of commodities,—on the state of the bank circulation,—and on public credit, was at all anticipated.

He then proceeds—" Thus it is with us (by sea,—by land the " war rages more universally, and with greater violence, though " not so sensible to our feelings here in England, because our situ- " ation has hitherto secured us from hostilities at our doors, and " our fields and farms are not yet foraged and plundered as our " neighbours are ; but what we pay, as I may say, to be ex- " empted from such violence, is almost tantamount, and at a long " run will as certainly impoverish and undo us."

He states, " That there are captious and sceptical contenders, " who will be apt to ask, Does war annihilate your money ? Is " your gold and silver dissolved, or gone into the earth from " whence 'twas taken ? This is malice and trifling, and nothing " else. To these gentlemen then, and out of respect to truth and " plain dealing, these few following reasons of the chief causes of " poverty, and scarcity of money by war, are tendered."

The author then discusses, what he calls the causes of the decay and scarcity of treasure by warfare: in the course of which he uses many of those arguments we have seen in a variety of pamphlets during the last year ;—and he concludes with the following passage, which so forcibly shews the resemblance betwixt the then and the present state of the country.

" To these common and evident causes of the evils, incident " to war in general, we may here subjoin why war is of late more " burthensome than heretofore, and that is by the overgrown " greatness of the French monarch, that aspiring prince who " would put a yoke on the neck of Europe, conceiving that by " the force of an immense treasure, whereby being enabled to " bring greater bodies of strength into the field than was ever " before practised in our hostilities on this side of the world, he " was given to hope, perhaps, thereby to overwhelm us ; which " design, though we see hitherto to want the effect, we are from

" thence

The science of banking was then in its infancy; neither the benefits to be derived from paper properly regulated, nor the mischiefs attending the abuse of it, had become matter of history. The Bank of England itself had not been established for two whole years; and from the circumstance of the times, it had never felt the consequences of that check which naturally arises out of the necessity of paying on demand in coin equivalent in value to denomination of the note.

At that time there existed none who had seen Bank Notes, after circulating at par with coin in real value equal to the denomination of the notes, reduced to circulate with tokens of inferior value, under circumstances in which no penalties, however severe, could retain standard coin in circulation; otherwise the process of reasoning could not have been very complicated, that must have given rise to a doubt whether notes, when suddenly issued to such an extent as to raise the value of public securities 30 per cent. and to lower the discount on bills from 14 to 3 per cent.* could remain in circulation when payable on demand in coin of standard value, though they might even bear a pre-

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" thence nevertheless instructed in the causes of this over burden-
" some warfare, whereby we are put under an inevitable necessity
" of providing an equal force, which produces an equal charge, to
" withstand him, which I thought necessary to note."

* See note, No. IV. page 117.

mium, when only payable in coin depreciated to the extent of 50 per cent.

But though the consequences of the legislature's removing the practical restraints upon cash payments at the Bank, by making all payments in clipped money cease in the month of May, 1696, seems by no one to have been foreseen, they could not fail almost instantly to display themselves, and indeed to become but too perceptible.

Those in whose hands that surplus of notes remained, by attempting to dispose of which so as to acquire a profit, the value of Exchequer Bills and of commodities had been raised, and the interest of money had been so extremely diminished, feeling the immediate advantage of realizing in coin that denomination of wealth they had acquired in exchange for the commodities they had sold, whilst the price of goods was so greatly advanced; naturally hurried to demand payment at the Bank.

The avenues to that establishment no longer, as in 1695, frequented by men soliciting for notes even at a premium, in exchange for money alarmingly depreciated in real, and doubtful in its future legal value, were now eagerly crowded by those who were anxious to acquire the standard coin of the country in return for their notes.

The Directors of the Bank made every exertion to correct the evil which their unchecked desire of gain had inflicted on themselves and the public; 40 per cent. on their capital, which had never been received, being called in from the proprietors, was a means of withdrawing four hundred and eighty thousand pounds worth of notes from circulation; whilst an attempt was made to sink two hundred and forty more, by borrowing 20 per cent. from the proprietors.* Tallies were thrown into the market till the extent of the discount made it ruinous to part with them;† and money was borrowed at an interest of six or seven per cent. on sealed bills, to a great amount.‡

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* See a Reply to the Defence of the Bank: printed 1696, where, in page 10, they are stated to have called in 40 per cent. and to have borrowed 20 from the proprietors.

See also Arguments for and against engrafting on the Bank of England.—*Printed* 1696, *page* 9.

† See the History of King William, printed 1703, vol. iii. page 195, in which it is said that Tallies were at this time discounted at 50 and even at 60 per cent. discount.

See also A Defence of the Bank of England, page 8, printed 1707.

‡ When the Bank of England were called upon by parliament for an account of their stock, in the month of December, 1696, it appeared that sealed bills, bearing interest of 6 or 7 per cent. had been issued to the extent of £893,800; and the Bank Notes running for cash were reduced to £724,196.

See Appendix, No. 2, containing the account of stock for the honourable the Governor and Company of the Bank of England, with the Report of the Committee, as given in the Journals of the House of Commons.

These several measures all calculated to raise the value of notes, in reference to that of commodities, by withdrawing that excess forced into circulation during the practical restriction occasioned by the state of the coin, had the desired effect of removing that depreciation which superabundance had occasioned.

But the desire for coin was so sudden and had been so unexpected, that all the efforts of the directors could not provide cash sufficient so satisfy the call on the Bank, and hesitation in payment, which must be always fatal to credit, naturally increased the demand, so that before the end of the month of May, they were reduced to offer in cash only ten per cent. in a fortnight on the value of the notes, which were presented for payment; and even this insignificant portion of cash was gradually diminished, till in the three months antecedent to the meeting of parliament in October, they found themselves incapable of giving more than three per cent. in cash on the value of the notes for which payment in coin was anxiously pressed. *

* The following Extract, No. I. from page 6 of a pamphlet, entitled, "Arguments and Reasons for and against engrafting upon the Bank of England, with Tallies, &c. as they were debated in a late general Court of the said Bank, considered, in a Letter to a Friend," shews, that Bank Notes must have begun to be at a discount as against money, just about the 4th of May, on which day an end was put by law to payment in clipt money; whilst

It was under these circumstances that a very considerable depreciation from loss of credit succeeded to that more formidable depreciation, to which during the year 1695, and during the spring of 1696, excess had imperceptibly given rise: for, in the autumn of that year, when the bank became so deficient in cash payments, their notes got to a discount of seventeen, nay, of twenty per cent.*

There exists, perhaps, no record of circum-

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whilst the Extract, No. II. from the "Reply to the Defence of the Bank," page 10, printed 1696, shews the rapid progress of the discount.

No. I.—"It is well known that till May last, the Bank of England Notes were not only esteemed equal to money, but preferred much before it; and every one in this city, when they sold any goods, endeavoured to contract for payment in Bank Notes, and not in money: nay, Bank Bills were sold for money at half per cent. profit to the seller; and every body made use of their friends and interest to get their money lodged in the Bank.

No. II.—"But it remains a secret to me, and most others at present (if their practices be just and honourable) how their payments should be at first 10 per cent. once a fortnight;—then but 7 or 8 per cent. once in a month:—then to give no notes out by endorsement under five pounds;—afterwards none under twenty; then to pay only according to the letters of the alphabet (and that every morning) afterwards to pay but 3 or 4 per cent. once in three months, which is the present method of paying, according to the letters of the alphabet two days in a week."

* And it is now become a common (not to say wicked and unjust) practice, especially among retailers, if they have no notes by them, they will purchase some with their money at 17 per cent. advantage to pay their debts, that ought in justice and

stances that afford a more instructive lesson on the sound principles by which paper currency ought to be regulated, than what is to be collected from the economical history of this period. The Bank, within the short space of one year, saw their notes anxiously sought after, even at a small premium, when depreciated by excess,—and afterwards reduced by discredit, from their being obliged to delay cash payments, into a state in which they could with difficulty be circulated, even at twenty per cent. discount.*

Yet if we believe cotemporary writers, who are only the more deserving of credit, from their having been unconscious of the inference authorized

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and in equity to be answered *in specie,* which many times proves a grinding of the face of the poor; for these notes are given in payment from one to another, until they light into an indigent person's hands, who is forced, through his urgent occasions, to sell them at 16 or 17 per cent. less.

A short Treatise of the Reason and Cause why our Money and Bullion have been exported, printed 1697, page 14.

And this mischief became so great, that even Bank Bills were brought to a great discount.

A Vindication of the Bank of England, printed 1707, p. 11.

It is easy to imagine what pinching circumstances the nation was in, when the notes of the Bank of England, which had been a mighty help to the public, were discounted at twenty, and tallies at forty, fifty, or sixty per cent.

The History of King William, vol. iii. page 195.

* See No. I. and II. note, page 127.

by the facts they have detailed; the Notes of the Bank of England, when in 1696 they were at a discount of twenty per cent. in comparison of standard coin, were actually more valuable in reference to commodities, than when issued in superabundance they were sought after at a premium.

At the latter period we know that wool sold at the enormous price of thirty-six shillings a tod: at the former period it was reduced to twenty shillings.* In 1695, therefore, when the Bank of England Notes were said to be at a premium, a tod of wool could not be had under one pound sixteen shillings; that is, for less than one Bank Note and four-fifths of a Bank Note; whilst, in 1696, a tod of the same wool, though the Bank Note was only worth sixteen shillings, could be procured for twenty shillings, that is, for one Bank Note and one quarter of a Bank Note.

But the case of wool is only selected to explain and illustrate, what more or less took place in relation to the value of all commodities, as estimated in Bank Notes at these several periods. In truth, the price of every article was in like manner increased in 1695:—for we are distinctly told, that when guineas, the value of which was not then fixed by law, had advanced to thirty shillings, all

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* See No. V. note, page 120.

commodities had proportionally sustained a more formidable rise.* Without, however, pushing things to an extreme, let us suppose that the rise in the value of guineas, which then circulated as commodities, only equalled that which took place with respect to all other commodities; it is, even on this supposition, evident that it must have required one twenty shilling note, and one half of a note, when notes in 1695 were in such abundance and so much sought after, to purchase that quantity of commodity which could be acquired in 1696, when in reference to cash they were at a discount of twenty per cent. for one note and three-eighths of a note. For, at the former period, it must have required one note and one half of a note to acquire a guinea, then of value thirty shillings. At the latter period, the note, though at twenty per cent. discount, being still worth sixteen shillings, one note, together with six shillings, which is three-eighths of sixteen shillings, made up twenty-two shillings, the value of a guinea.

It can hardly be objected to this reasoning, that in the year 1696, a guinea was by legislative enactment ordered not to pass, after the 10th of April, for more than twenty-two shillings. In truth the legislature might have spared itself the trouble of framing this regulation, for the moment light silver ceased to circulate, the quantity of paper was sure to be diminished; and this reduction

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* See No. IV. note, page 119.

in the value of gold coin must of course have taken place.* But guineas are only here alluded to, as illustrating what actually was the case with other commodities, which we know, though the legislature did not interfere with their sale-prices, sustained similar and even more extensive variations in value.

Thus within the space of a few years, at an æra which may be considered that of the infancy of Paper Currency, the history of our own country displays:—First, government securities, reduced by the largeness of their amount, to circulate at a great discount, occasioning that adulteration of our coin which has been uniformly discernible in the coin of all countries where paper was depreciated from an over-issue.—Secondly, the notes of the Bank of England, when that establishment was practically relieved from all check on the extent of their circulation, issued to such an amount in accommodating individuals, and by purchasing public securities, as to reduce the market rate of interest, and to bring Government Paper to par; whilst the depreciation produced in the value of Bank Notes themselves, by the amount thus thrown into circulation, (distinctly marked by the sudden rise in the price of all commodities) only encouraged the activity that

* They soon fell to twenty-one shillings and sixpence; and a Resolution of the Commons House of Parliament, within two years, declared, that no person should be obliged to take the guinea above that rate.

prevailed in mutilating the coin that was condemned to circulate along with them.—Lastly, we see the issues of the Bank reduced to a great extent, in consequence of parliament's creating that check which liability to pay in cash, in real value, equal to the denomination of the note, must always afford; and that so suddenly, as from the impossibility of instantly complying with the demand for cash, to bring their notes into a state of depreciation, in reference to the lawful coin of the realm. These notes, however, even in this state, possessing a greater value relative to commodities, than they had when issued to a vast amount, and circulating at a premium; the antecedent depreciation from superabundance having been in itself more formidable than the subsequent depreciation from discredit.

To those who imagine that denomination can confer value, this must appear unintelligible, for they of course must conceive that depreciation cannot exist if not designated by denomination.

It is impossible, however, even for the wildest theorist amongst our modern practical men, to dispute that Bank Notes were of more value in reference to tin, to lead, to manufactures, and to edibles,* when a given quantity of any of these

* On looking over the tables of the price of wheat and malt in the

articles could in the summer of 1696, be obtained for one note and three-eighths of a note, than when the same quantity cost in 1695 one note and one-half of a note; and it is still more impossible to contend, that Bank Notes had not risen in value in comparison of wool, when one note and a fourth of a note purchased a tod of that commodity, which could not be obtained in 1695 for less than one note and four-fifths of a note.

Important as these details must appear, there is yet further instruction to be derived from what

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the Windsor market, as printed in the Tracts on the Corn Trade; in Dr. Smith's Treatise on the Wealth of Nations; and in many other publications, notwithstanding what Mr. Lowndes has reported, on the value of (what he calls) edibles, it appears that wheat was lower in value in 1695 than 1696, though this was not the case with malt: grain, however, is an article that fluctuates so much in its value from year to year, that no inference can be drawn from the price it bears concerning the value of circulating medium, unless accompanied with accurate details on the comparative fertility of the seasons. Indeed the impossibility of drawing any conclusion from the price of wheat relative to the value of Paper Currency, becomes evident from what passed in the province of New York; for when in the year 1738 and 1739, it was by no one disputed, that a rise in the value of silver marked the extent of the depreciation of paper in circulation, it is recorded in the discourse concerning the currency of the British Plantations, that wheat sold at eighteen shillings a bushel in paper, when silver was only twenty-seven shillings an ounce, and that though in the latter year, silver advanced to twenty-nine shillings an ounce, wheat sold at ten shillings a bushel.

occurred at this, of all others, the period of our history the most fertile of information on the subject of Paper Currency.

That two sorts of money, of similar denomination, but differing in real value, or in public estimation, cannot circulate with each other, is a proposition that can hardly be disputed. For that desire of gain which regulates the pecuniary transactions of mankind, must always induce, even the most prodigal, to pay what he appreciates as of least value, and to withhold from circulation that which stands highest in his estimation.

Besides, when one of two sorts of money, of similar denomination, has sustained a gradual diminution of value in public opinion, it is evident that the interest which every man must feel to get rid of that which has fallen in value, lest it should diminish still farther, must force the depreciated money into circulation; whilst the certainty that the species of money whose value has proved more fixed and permanent, will acquire comparative value by the further depreciation of the other, furnishes a motive equally cogent for withholding from circulation what has hitherto maintained unimpaired value.

Thus in the year 1695, all money of standard-weight disappeared, whilst the clipped money and the Paper Currency circulated in such abundance;

but perhaps a still more forcible proof of this indisputable truth is to be derived from the circumstances attending the pecuniary history of the summer and autumn of the year 1696.

At that time, the sum of new money that had been delivered from the Mint was very considerable; and the quantity of gold that had circulated, in the preceding year, as well as of that which had been coined on account of individuals, was unexampled.*

The sum of Bank Notes that remained in circulation, was comparatively inconsiderable; but they were at a great discount,† and that discount appeared to be increasing. It was impossible, therefore, that the gold and silver coin possessing such a marked superiority of value, could circulate in conjunction with paper in such a state.‡

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* See an Account printed in the Commons' Journals, vol. xi. page 447, of what guineas had been coined betwixt Lady Day 1695, and February 1696, containing a list of 147 persons for whom 721,280 guineas had been coined.

† See note, page 127.

‡ Now the consideration of this leads me to another sort of payment that greatly hinders money from coming abroad, and that is the Bank of England's Notes, that are daily offered in payment instead of money: and many of these very persons that offer them, have at the same time both gold and silver, which they will not bring forth, if they can by any means put off these bills in the room thereof.

Short Treatise on the Reason and Causes why our Money and Coin has been exported, page 13.

Accordingly we are informed, that it became a common practice, especially among retailers, if they had no notes by them, to purchase them for the purpose of paying that which both in justice and equity ought to have been paid in specie; that tradesmen in the country, who came to London to get payment of their just demands, could get nothing but Bank Notes; and that it required the interference of Government, who declared that Bank Notes were no lawful payment of foreign Bills, before the bill-holders could obtain coin from the merchant.*

In this state of things, Mr. Lowndes's reasoning,

* Now the true reason why people are so earnest to put away their notes, and keep up their money, arises from the difference between the value of the one and the other; and as long as there remains a disparity between them, the one will always be plenty and the other scarce. And if something be not done to prevent this growing evil, the Mint may coin, and the country expect a plenty of money thereby, and fall short of it at last; for the clothier, &c. comes to town, hoping to receive money to carry home to pay his labourers; and being put off with a Bank Note, and unwilling to lose so much by it, goes home without any: for want of which many cannot keep the poor at work.

Now the best cure (that I know of) for this disease, would be by making their notes as current and valuable in the eyes of the people, as money itself; which (I conceive) cannot be done but by the members of the Bank being enabled to pay all the demands that can be made upon them; for there is nothing (in my judgment), that can make notes or paper credit equal to money, but by their being answered by money whenever they are demanded, which was the only thing that made them pass as money at first, and gave them their original life and acceptance among

which Mr. Locke the year before had successfully controverted, by contending that silver could not rise in value in comparison of silver, and that the apparent rise of the metals only proved the depreciated state of the coin used to measure their value, was in substance renewed. The clipt coin,

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among people; and if once there is a stop in payment of any sorts of notes, the credit of them immediately declines, without having a regard to the ability of the subscriber thereof.

And therefore if it be objected, that it is impossible for the Bank to procure money to answer their bills, or make them equal to money, then they will greatly hinder money from coming abroad, which produces many ill effects to the nation; upon which it will be much better to have them pass in no payment at all, which would cause money to circulate, and come more plentiful in trade than it does now.

And it is evident by this one instance, that money would come abroad more if those notes did not hinder it; viz. after the Bank made a demur upon the payment of their notes, the people began to refuse them upon foreign bills of exchange, upon which several merchants addressed themselves to the government about it; and many people alledged, that unless they would take Bank Notes in payment, the bills could no way be paid, there being not specie to be found to answer them; but after about fourteen days consideration the matter resulted in this, viz. that Bank Notes were no lawful payment of bills, and every merchant must find money to do it himself: upon which no body that had a foreign bill would take any thing but money for payment thereof; and daily experience declares these men were mistaken, for most merchants have ever since, and do still continue to find money to pay their foreign bills withal, nobody offering now to pay them with any thing else but specie, by which means great quantities of money have been brought forth, that had not appeared if Bank Notes would have done in the room thereof; and it is thought if they were not

indeed, was no longer in circulation; and therefore neither bullion nor standard coin could be estimated in that degraded species of currency; but Bank Notes, as at the present moment, were said to represent the pound sterling; the difference in value betwixt them and the metals was ascribed to a rise in the value of gold and silver, from the circumstances of the war,* and even to a supposed diminution in the fertility of the mines.

It was argued, that the only remedy for the evil

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not offered in payment for any inland bills also, the clothiers and other manufacturers would get their bills in some time (although with difficulty at first) paid in money, which would be sent and distributed among the country people.

It is, therefore, worth the serious consideration of those concerned in the Bank, (of which there are many worthy members,) if they cannot raise money to answer their notes, to endeavour, (if possible,) to find out some other way to make them equal to money, which would give them a currency every where, and make them at this juncture an advantage to trade in general; but if it cannot be brought about, they had better, for a public good, give over giving out any more notes; and those that have them in their custody should keep them, and not offer them in payment any more till the Banks are capable to comply with the payment thereof, or by any other way they are made equal to money.

A short Treatise on the Reason and Causes why our Money and Bullion have been exported.—Printed in the beginning of 1697, p. 14—16.

* But yet there is more to be considered: this denomination, as the price of silver goes in England, and the value of gold now stands, takes from and lessens the real value, and makes it less than the same quantum either of gold or silver does contain:

twenty

was, that Government should assimilate the value of the coin to the value of the notes in circulation, either, by giving an additional denominative value to what they had recently coined, or by calling it in, and diminishing the weight of what was to enter into the composition of a pound sterling, just in the same manner and on the same principle that tokens have been recently issued by the Bank of England.

Thus Bank Notes being then at twenty per cent. discount, that is, a twenty shilling note being worth sixteen shillings, or fourteen hundred and eighty-six grains, and four hundred and forty-eight thousand parts of a grain of standard silver, it was proposed that the denominative value of the silver which, according to the Mint regulations com-

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twenty shillings will not purchase sufficient silver to make four crown pieces, nor will twenty-two shillings purchase enough gold to make a guinea. Page 18.

Again:—If either of the metals are compared with the coin of divers countries, they seem to be both advanced; but those that are better acquainted in trade know whether this be true or false; but I think so far will be admitted, that by what can be conjectured by the English uncertain money, the value is here advanced in both, and in France it is plainly so; and it can hardly be denied, but that the advance of them in these two so considerable parts of Europe is a sufficient reason for the rise in all other parts: does not the rise of corn or any other thing in any one county make the same commodity advance in all parts of the kingdom? Page 21.

An Essay for lowering the Gold and raising the Silver Money. Printed 1696.

posed twenty shillings, should in future be twenty-five shillings; or, in other words, that eighteen hundred and fifty-eight grains and sixty thousand parts of a grain of standard silver, which composed the pound sterling, should now be formed into twenty-five shillings; a project which most undoubtedly would have made the paper of the Bank of England resume the appearance of circulating at par; because, fourteen hundred and eighty-six and forty-eight thousand parts of a grain, which the Bank Note, when of value sixteen standard shillings represented, would have been, to a fraction, the quantity of silver contained in twenty of these new shillings.*

In the same spirit, it was proposed that the guinea should be advanced to twenty-eight shil-

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* For by reason of the price of bullion here and beyond seas, which is now above the value which by this law is put upon the coin, the cure cannot likely thus be made. (The context shews that the word *thus* means by coining money of standard value sufficient for the circulation), for that the advantage of melting down and transporting will certainly postpone, and always hinder the having sufficient of this money to supply the nation.

Which two things being at least doubtful, as is conceived, are not prudent to be at this juncture attempted, but rather that a sure and safe method may be pursued, which is the only other way to effect this cure, and that is to advance four crown-pieces silver from twenty shillings to twenty-five shillings, or some other advance, and either let the gold, as before, find its proportion, or ascertain it by a law, and in this case the proportion is the gold at twenty-eight, or thereabouts.

An Essay for lowering the Gold, and lowering the Silver Money. Printed 1696, page 30.

lings, which in truth was only raising the denomination of the guinea a trifle higher in proportion than the projected rise in the value of the silver coin.

So forcibly was this arrangement recommended at the time, and so doubtful did it appear to the minds of many, whether parliament might not be prevailed upon to adopt a measure so strenuously contended for, that by cotemporary writers the expectation of the denominative value of the coin being raised, is stated as one of the reasons of standard money being withheld from circulation in the autumn of the year 1696.*

The situation of the country was indeed strangely changed; for if in the preceding year it was aggrieved by the high prices of commodities, and with speculations of all sorts, encouraged by the superabundance of circulating medium; † it now

* Another thing that makes money more scarce, is a hope that our money hoarders have gotten; that it will be advanced this Sessions of Parliament: for notwithstanding several persons have desired to borrow money of those that have had quantities by them, at more than 6 per cent. interest, upon security of clipt money, plate and lands, &c. they have refused it, by which it is concluded they expected to have the money advanced. Now as soon as ever this expectation comes to be put an end to, a great deal of money that now lies dead, would come forth into trade again.

A short Treatise on the Reason and Cause why our Money and Bullion have been exported, 1697, page 17.

† In these times, (says Mr. Anderson in his History of Commerce

experienced the more apparent difficulties arising from an unnatural diminution in the price of commodities, and a daily decay of trade occasioned by the almost total want of all means of circulation, whilst it was in vain that new coin was issued from the Mint; for it disappeared from circulation the moment it was paid away.*

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merce), viz. in the years 1694-5, a number of new projects were set on foot in London, many of which were, in reality, good for nothing, having drawn in numbers of people to their undoing: some of these started up with the Bank of England in the preceding year; others in this year 1695.

He then proceeds to give a list of nineteen different projects to which the times has given rise; amongst which there are various descriptions of banks—lotteries for money and for merchandize;—many metallic and mineral projects;—diving engines of various kinds;—projects for pearl fishing;—for hollow sword blades;—glass bottles;—japanning;—printed hangings;—leather;—Venetian metal;—a project concerning rock-salt, and a salt-petre company;—companies for the manufacture of lute-strings, hats and a-la-modes;—various projects for draining machines and fisheries;—all the particulars of which may be seen in a book printed in the year 1695, entitled "Angliæ Tutamen;" or, The Safety of England; being an account of the banks, lotteries, diving, draining, metallic, salt, linen, and lifting, and sundry other engines, and many other pernicious projects now on foot, tending to the destruction of trade and commerce, and the impoverishing of this realm.

* The following extract from a discourse concerning a lumber-office, p. 3, being a true remedy for the scarcity of money, printed at this time, gives a striking picture of what seems, from a variety of authorities, to have been the situation of the country.

But according to the present method we are in, money is growing scarcer, and trade is decaying daily. Some may, perhaps, impute our calamity to the present abatement of the

Such was the state of things, when on the 20th of October, 1696, parliament was assembled for the express purpose of considering the difficulties that had arisen upon the re-coinage of the money, and of devising expedients to restore credit, without which neither the war nor the commerce of the country could be carried on.*

Fortunately, on this occasion the same wisdom that distinguished the conduct of Mr. Montague, (afterwards Lord Halifax), when, by the advice of Mr. Locke in the preceding year, he rejected Mr. Lowndes's scheme for altering the standard of our money, once more interfered to guard the country against the proposal of raising the denomination of the money that had been coined, for the purpose of bringing it in value to a level with Bank Paper.

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the numbered money: but there is no reason for that, since we have experienced not long ago that guineas (alone) did much better answer the demands of trade than all our gold and silver does now: or if such abatement before-mentioned were the cause of it, what is the reason that by so vast an addition of new money as has been since coined, we do not find our calamity proportionably redressed? The addition of two millions certainly is sufficient to make a conjecture by; but if instead of relief we find money more scarce and trade more sunk, then the cause of our suffering lies somewhere else, viz. in the loss of our Paper Credit; and unless this be re-established as well as the coin, our difficulties must continue.

* See the King's Speech, Commons Journals, vol. xi. p. 566.

In these times and with our experience, it may appear that there was a want of foresight in parliament, in not suspecting the consequences to public credit, which must in the then state of the paper circulation have resulted from so sudden a transition from an obligation to pay in clipped, to an obligation to pay in standard coin,* but no

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* When, in 1797, Government imposed the restriction on cash payments, the general impression, that the credit of the Bank and of the nation required that it should be removed with all possible speed, induced the eminent merchants then intrusted with the direction of the Bank of England, to act on the belief that they should be called upon to resume payments in coin at the meeting of parliament in the month of November following. Accordingly they conducted their concerns in such a manner, as by the 26th of October to feel themselves authorized to declare, "That it is the opinion of this court, that the "Governor and Company of the Bank of England are enabled "to issue specie in any manner that may be deemed necessary "for the accommodation of the public; and the court have no "hesitation to declare, that the affairs of the Bank are in such a "state that it can with safety resume its accustomed functions, "if the political circumstances of the country do not render it "inexpedient."

The public are uninformed with regard to the extent of the discounts with which, in the course of the summer of that year, the Bank accommodated the merchants. But they have been informed by the Directors of the Bank of England, that the cash and bullion in the Bank was, on the 26th October, 1797, more than five times the value of that at which they stood on the 25th of February; and much above what they had been at any time since the beginning of September, 1795. They know also from the account, No. 13, printed in the Report of the House of Lords,

experience can suggest wiser measures, than those pursued in 1696, to restore the credit both of Government and of the Bank; nor can there in any age be exhibited more firmness in enforcing against popular opinion, measures which a very critical situation of affairs rendered absolutely necessary for the salvation of the country.

To do away that temptation to hoarding, originating from the false hopes that had been excited by the reasoning of those who, assuming that gold and silver had augmented in value, argued that the denominative value of our coin should be raised, it was on the very first day of their meeting, declared by the Commons House of Parliament, "That

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Lords, 1797, that the advances to government were in February £11,718,730; and from the Report of the Committee of Secrecy at the Bank, on which the Resolution of the 26th of October proceeded, we learn that at that time these advances were only £4,258,140.

Thus we see those very intelligent directors, who had the management of the Bank in the year 1797, when they acted under an apprehension of being liable to pay cash in value equal to the denomination of their notes, pursuing a very different line of conduct from that announced by Mr. Godfrey, "of "furnishing all who could give security with money," for in the short space betwixt the months of February and October 1797, they called in advances to government to the amount of £7,460,590, and by that means were enabled greatly to increase their stock of cash and bullion. *See the Report of House of Commons, Nov.* 1797. Appendix, No. 3.

"they would not alter the standard of gold or "silver in fineness, weight, or denomination."* And, if possible, to reinstate, the Tallies in public estimation, or at least to arrest the progress of that fall in their value which had been so rapid, it was at the same time resolved, "That all Parliamentary "Funds, which had been made credit for loans "from the subject, since His Majesty's accession "to the crown, should be made good."†

But the evil was too deeply rooted to be remedied by the declaration of general principles, however sound: for that loss of credit the Bank had suffered, from a sudden reverse of fortune, occasioned by its extended issues and the want of foresight concerning the effects of liability to pay in standard silver, had given rise to a feeling of diffidence and mistrust concerning all pecuniary arrangements.

The Bank, indeed, had made great exertions to sustain its credit, but suspicion founded on hesitation in performing pecuniary engagements is not easily allayed. Suddenly to create confidence was impossible. To put things in a state by which it might be gradually restored

* Commons Journals, vol. xi. p. 567.

† Ibidem.

was all that with any prospect of success could be attempted.

To many who were well informed, to those concerned in the government of the country, and even to the greater part of the Proprietors of the Bank, it seemed doubtful whether for a length of time its lost credit could be restored, and whether it was not expedient to withdraw its whole paper from circulation; whilst to all it appeared necessary, notwithstanding the resolution passed to secure the gradual discharge of Tallies, immediately to reduce the amount of those that were outstanding.

To effect these two objects, an enlargement of the capital of the Bank, was recommended by the Committee appointed to take into consideration that part of His Majesty's speech that related to public credit: four-fifths of this subscription to be paid in Tallies, and one-fifth in Bank Notes.

The amount of the additional capital seems neither to have been limited by the Resolutions of the House of Commons, nor by the Act of Parliament, founded on them for engrafting on the Bank, and there are strong grounds to imagine that it was intended to withdraw all the Bank Notes then in circulation. For in a Report of the arguments used at a meeting of Proprietors of Bank Stock, to take the measure under

consideration, it is said to have been supported on the following grounds.

"First, That all their Bills and Notes will be "brought in with the Tallies, and so at once help "them out of debt.

"Secondly, As a natural consequence of the "former, their Bills and Notes will then be at par, "or equal to money, for the payment of debts or "Bills of Exchange.

"Thirdly, That being once out of debt, and "their Bills or Notes equal with money, they may "begin to establish a new and lasting credit.

"Fourthly, That the Bank cannot otherwise "recover their credit in many years; and that till "their Bills or Notes go current again, at par with "money, the present proprietors cannot expect "any dividend either of profit or interest."

In the course of the discussion at this meeting, even those who were most violent in opposition to the proposed measure, seem to have entertained the same view of the expediency of withdrawing the whole notes from circulation; for far from controverting this position, they argued that the addition to the capital was unnecessary, as the Bank could pay all its debts, and of course withdraw its notes within a short time, independent of the supply it might derive from the new subscription.

"It is to be observed, too, that the plan then for the first time adopted by parliament, of authorizing government to issue Exchequer Bills, receivable in payment of taxes, for sums of five, ten, fifteen, twenty pounds, or upwards, seems to have been devised to supply the place of the Bank Notes, which it was supposed would for a time be entirely withdrawn, by means of the projected enlargement of capital.*

The measure, therefore, of engrafting on the Bank, certainly in a degree failed of attaining the end it was immediately expected to produce, for only one million was subscribed, and of course only eight hundred thousand pounds in Tallies, and two hundred thousand in notes were paid into the Bank.

But the seeds of all the various evils by which the circulation of the country had been deranged, were now destroyed. The recent declaration of parliament, which did away all expectation that the denominative value of the coin would be raised, or that the real value of the coin, the denomination remaining the same, would be diminished, brought the new money and the heavy coin into circulation, for there could be no prospect of deriving profit from hoarding them. Tallies were no longer left to circulate without any certain means of discharging them, as funds were appropriated for paying them off within a given time, and the issues

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* See Cap. 31st, Sect. 76-7, of the 7th William III.

of the Bank of England were subjected to that prudent limitation, which liability to pay in coin, in real value equal to the denomination of the note, must always create. Time, therefore, was only requisite to do away the distrust produced by the derangement in our circulation, and to create that salutary degree of credit which must always exist where the pecuniary concerns of a country are conducted on sound principles.

Accordingly, it is not Dr. Drake alone, in his History of Opposition, who informs us, that a gradual and progressive restoration of credit took place; for the following account of the effect of the measures that were adopted, extracted from Chandler's Debates, and perfectly agreeing with that of Dr. Drake, has been given, almost in the same words, by every author who has detailed the measures pursued on this occasion.*

" By this means the face of affairs was quickly
" much changed for the better: credit begun to
" revive, and money to circulate on moderate
" terms; foreign affairs were less to our disadvan-
" tage, and soon after came to an equality: and
" whatever hardships the people had undergone,

* Mr. Rose, in the speech he has published, seems to treat Dr. Drake's authority with great disrespect. But the account given in The Short History of the last Parliament, is adopted by most succeeding writers, who have even retained the words in which that account is conveyed.

" by reason of a long and expensive war, and the " receiving the silver money, which could not but " occasion many complaints, yet the greatest " part attributed this to the necessity of affairs, " and began to hope, both from the prospect of a " peace, and the wisdom of those at the Helm, " that they should enjoy more favourable times."

In retracing this important period of our economical history, it certainly appears impossible, even in a cursory manner, to remark the effects alternately produced, in diminishing the value of Government and Corporation Paper, by an extension of its amount, and the restoration of value effected in either case by the diminution of it, without its suggesting that an over-issue of paper is the probable cause of the evils under which our currency at present suffers.

But when on examination we discover, that in the year 1695, and in the beginning of the year 1696, the exchange became unfavourable;—That bullion rose in value,—That the interest of money fell,—That public securities sold to great advantage,—That the price of all commodities suddenly increased,—and that commercial enterprises of all sorts were extended,—whilst the country was inundated with projects and projectors:* it is im-

* In the course of the reasoning that has been submitted on the economical occurrences of the years 1695 and 1696, no notice

possible to reflect,—On the present price of bullion, and state of exchange,—On the value of Ex-

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notice has been taken of the remarks made on this period of our history, in the speech published by Mr. Vansittart:—Because, though there is in this speech an affectation of peculiar precision and research, the statements it contains are so inaccurate, and exhibit such total want of information, that it would have been idle to interrupt the discussion, by commenting upon such a series of errors.

In page 127 of this pamphlet, the following passage from Dr. Davenant's works, which has been already cited in note, p. 116, is quoted and relied upon;—" *And of late when the coin* " *grew so corrupted, the gold and silver did, as it were, but minister* " *in the market, while* all great dealings were transacted by Tal- " lies, Bank Bills, and Goldsmith's Notes. Paper Credit did " not only supply the place of running cash, but greatly multi- " plied the kingdom's stock. For Tallies and Bank Bills did " to many uses serve as well, and to some better than Gold and " Silver, and this artificial wealth, which necessity had intro- " duced, did make us less feel the want of that real treasure the " war and our losses at sea had drawn out of the nation."—But the author has taken the liberty to alter the original, by substituting, at the commencement, the words 'during the recoinage ' of our silver,' instead of those used by Dr. Davenant, which are here printed in Italics.

Now, as it is impossible to suppose that this alteration could be made by a person so truly deserving of respect, for the purpose of deceiving the public, it follows, that the author of this speech must have conceived that Dr. Davenant meant to express what is very clearly conveyed by the words " during the recoinage of " our silver," which he has substituted.

That the recoinage of the silver was not terminated in the year 1696, is a circumstance of which he must have been aware, because he states, (page 119) that only two millions four hundred

chequer Bills,—On the low interest at which money has been obtained in loan,—On the price of com-

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dred thousand pounds had been delivered on the 20th of November, 1696. It is evident, therefore, that instead of collecting from this passage what Davenant certainly meant to express, that all transactions were conducted by paper before the 4th of May, 1696, when the clipped money ceased to circulate. The author of this speech is so completely deficient of information as to suppose Dr. Davenant to have stated, that all great transactions were carried on by Tallies, Bank Notes, and by Goldsmith's Notes, in the autumn and latter end of the year 1696, at a time when these Tallies were not saleable, being at a discount of fifty per cent. when Goldsmith's Notes hardly could obtain credit; and when Bank Notes, circulating in a state of discredit at twenty per cent. discount, were reduced in amount to seven hundred and sixty-four thousand pounds, a fact which he might have learnt in the course of his examination of the Journals, where he might also have seen, that *during the recoinage* in December 1696, the whole accommodation given to merchants, by way of discount at the Bank, amounted to sixeen thousand pounds. *(See Extract from the Journals, Appendix, No. 2.)*

With regard to the passages so much relied upon, which are said to be quoted from a manuscript memorial of Dr. Davenant's, and a manuscript report of Lord Ranelagh's, supposing the citations to be accurate, of which there is certainly room for doubt, after the very inaccurate manner in which the quotation from Dr. Davenant's printed works has been given, they really cannot be considered as in the smallest degree countenancing the doctrines of this speech.

That Lord Ranelagh's report must have related to a transaction that took place before the month of May, 1696, is apparent to all who recollect, that the pay-master could not legally have paid into the Bank any thing but new, or heavy money, after that date, or who know that the Directors withdrew at that time as much

modities,—On the augmentation of our exports,—and on the tribe of commercial adventurers daily

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much as possible from all transactions with government, as is evident from the extreme difficulty with which they were prevailed upon to advance the much censured loan of two hundred thousand pounds, in August 1696.

Assuming, therefore, that it was a transaction that took place before the 4th of May, 1696, the charge for Exchange is what must have been expected, whilst the thirteen per cent. for base money must have been an allowance not for clipped money, which never was at a discount of more than half a per cent. in relation to Bank Notes; but for counterfeit money, such as the law did not permit to pass in tale, of which there was then abundance in circulation.

On Davenant's memorial it is to be observed, that as it purports to have been given into the treasury in the month of July, 1696, when the new money had hardly began to circulate, and almost at the time a dispute existed whether foreign bills might be paid in Bank Notes (then at a great discount), it is no proof that the exchange remained unfavourable till the restoration of peace. If the author of this speech had really made the careful research into the writings of that day, for which he seems anxious the public should give him credit, he must have discovered, that the exchange became favourable to this country at a much earlier period. Indeed, in a pamphlet, entitled A short Treatise of the Reasons and Causes why our Money and Bullion have been exported; at the end of which is affixed the date, 17th of October, 1696, it is said, page 19, "For although many people have been "uneasy because the coin was regulated at this juncture, yet "when our difficulties are over, not only us, but the next generation, will have the benefit thereof; and if it had not been done "(in all likelihood) it would have centered in the ruin of the "nation. And the keeping our money to the standard, will "prove otherwise than many, through ignorance, have imagined,

for

vanishing in bankruptcy, as circumstances inform the prying eye of those who accommodate them

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" for we see already, that it is loss at this time to carry out of " the land either guineas or milled money, by reason the ex- " change is risen so high, that it is above a par in silver, and " much more in gold, by which means it is profit to bring over " from Holland either of them. And the reason why it is more " advantage to bring guineas than silver is, because the silver " contained in 22 shillings of milled money is worth more in va- " lue, and will yield more beyond sea, than the gold contained " in a guinea."

The length of this note certainly requires an apology, but it is impossible to abstain from shortly assigning the reasons why the opinion delivered in so peremptory a manner, in this speech, page 123, on the causes of the unfavourable exchange in King William's time, appears unfounded. It is there said, that this unfavourable exchange was not occasioned by the depreciation of money (meaning the clipping of the coin), as the author of this speech supposes the Bullion Committee to have stated, but that it arose from the military expences abroad.

In the first place, this does not appear to follow as a necessary consequence from the facts which are relied upon, either as stated by Davenant or by Gregory King. In the second place, the author of this tract must not only differ from Mr. Vansittart, in the opinion he has stated, but he has the misfortune not even to agree with the supposed opinion of the Bullion Committee: for he believes that the exchange never was highly unfavourable till the spring of the year 1695, when the issues of the Bank became so extensive; and in support of this opinion, he relies on the numerous passages he has already quoted, to which he must add the following direct testimony of cotemporary writers.

First, in a pamphlet entitled, A Preservative of our Money, or a Way proposed whereby some Money may be kept in England which otherwise will all be gone, by E. L. (Edward Lewis,) printed

with capital, that it is prudent to cut the thread; without imputing the calamity under which we suffer to an over-issue of paper:—and this conclusion becomes indeed irresistible, when we are informed that the paper circulation of this country, where refinement in the art of economizing circulating medium is brought to the greatest state of perfection, has within these two years received an augmentation of more than twelve millions.*

To add any thing to these details, for the purpose of proving the depreciation of the paper now

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printed 1696, it is said, page 13, "As for our clipt money, that "had no effect upon the Exchange, till guineas did rise, which "was less than a year since."

Secondly, Mr. Thomas Haughton, of Lyme-Street, in his Treatise on the Alteration of the Coin, with a feasible method to do it, distinctly states, page 41, that the rise in the value of guineas took place after the 1st of May, 1695.

Thirdly, by those who know that the rise in the price of commodities, and the increase of an unfavourable rate of exchange, must, under circumstances such as took place in King William's time, have been co-existent, the following passage from R. Ford's Further Attempt towards the Reformation of the Coin, printed 1696, page 10, must be deemed to corroborate the testimony of Mr. Lewis.

"For if we examine the prices current of all commodities, "it will be found they are not advanced near 50 per cent. one "with another, and so much as they are risen, is not only on account of the badness of our coin, but is in great measure occasioned by the extraordinary demand there is for many of them "both here and beyond sea."

* See note, page 39.

in circulation, must indeed appear superfluous; for it is hardly possible to believe, that all connection betwixt an increase of paper money, and the evils under which we suffer, can be denied by those who are informed, that our circulation has lately been so much increased, and that it is certain the same circumstances in every respect took place when the Bank of England, in 1695, chose to increase its issues, by acting on the principle of accommodating all who could find security, whilst it is equally certain, that things at that time returned into their natural state the moment they were obliged to diminish their issues.

But the plan which throughout this reasoning has been pursued, does not limit itself to a mere statement of what seems sufficient to convince any rational man; it aims at rendering it impossible either for ingenuity to perplex the subject, or for folly to confound all rational distinctions in relation to it, in such a manner as to produce even a moment's hesitation concerning the present state of our currency.

It is further necessary, therefore, in endeavouring to accomplish this object, shortly to examine whether independent of, and abstracted from every thing that has been hitherto urged, the present depreciation of our paper may not be established in a manner that hardly admits of dispute.

In all cases where the causes or the consequences of the events of the day form a subject of controversy, the experience we derive from contemplating past scenes of a similar nature is so justly and so generally regarded to be the best guide to accuracy of decision, that when a question is argued without such an appeal, it affords a presumption either that the case is unprecedented, or the argument untenable.

Accordingly, we find, that anticipating the prejudice this feeling seems likely to create, those who have argued that our paper currency is not depreciated, have been anxious to consider the case as unprecedented, maintaining that no paper currency was ever thrown into circulation under similar circumstances.

Whilst, however, it seems impossible to make any distinction between two species of paper, both originally circulating at par, and neither of which, from circumstances, are payable on demand, except what arises from a comparison of the difference they respectively exhibit betwixt the value of the note and of the cash it promises to pay:—It is impossible not to recollect, that there is hardly a country in Europe where there has not existed a paper currency under similar circumstances;—yet in no publication has a doubt ever been expressed, that the difference betwixt the value of all such foreign paper and the gold it promised to pay,

formed the measure of the depreciation of the paper: nor did there ever exist a single transaction on the part of any British merchant with a foreign country, where paper differed in value from the coin it promised to pay, that was not conducted on the faith that such was the case.

Thus the logic by which it is attempted to prove, that the difference betwixt the value of coin and the paper of the Bank of England, arises from an augmentation of the value of gold and silver, establishes this singular proposition,—That in Great Britain the difference in value betwixt paper, the payment of which on demand is suspended, and coin, proves the extent to which the value of gold and silver has increased, whilst, universally throughout the rest of the world, the difference betwixt paper under similar circumstances, and coin, forms the measure of the amount in which the paper is depreciated.

The excessive bigotry in favour of every thing English, which is supposed to distinguish some of our young and inexperienced countrymen on first going abroad, is a common subject of ridicule on the theatres of foreign countries. But even the Englishman, who at Paris is represented as knocking down a Frenchman, because he was such a fool as not to understand English, affords but a tame instance of this species of extravagance, when compared to the deliberate opinions of those statesmen,

who uniformly admit, that abroad the difference betwixt paper and coin forms the measure of the depreciation of paper, and yet knowing that we have at work eight hundred and eighteen paper mints,* all engaged in fabricating paper not payable in cash on demand, gravely pronounce the difference that ensues betwixt coin and the value of this paper to be a measure of the extent to which the metals have risen in value!!

The ridiculous consequences to which such opinions must lead, are infinite, but it is none of the least remarkable, that those who hold them must be forced to abandon the opinion that has hitherto been uniformly maintained, and acted upon by all mercantile men, that the difference betwixt coin and foreign paper marks the extent of the depreciation of the paper.

Yet this inference cannot be disputed—For supposing the paper of the Bank of Vienna to differ in value fifty per cent. from the coin it engages to pay, the practical merchant of this country, who knows that there is a difference betwixt coin and the notes of the Bank of England, to the extent of twenty per cent, which he ascribes to a rise in the value of coin, must be under the necessity of abandoning the opinion that the difference betwixt the

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* See note, page 38.

paper of the Bank of Vienna and coin, is the measure of the depreciation of the paper, for consistency requires he should hold, that thirty of the fifty per cent. is the measure of the depreciation of Vienna paper, and that the remaining twenty is the measure of the increase of the value of gold.

This strange notion concerning the state of the paper at Vienna, would certainly appear very unintelligible to any merchant in Germany, who, unaccustomed to the metaphysical refinement of the practical men of this country, has always considered the difference betwixt coin and paper as the measure of the depreciation of paper. And it would be a task of no small difficulty for any of our ingenious practical advocates in favour of the modern system of circulation, in a satisfactory manner to explain it. They might, indeed, resort to the means they have already had recourse to in this country, and argue that the pound note, from its denomination, retains that value which it possessed before the rise of gold. But unfortunately, this would oblige them to give some reason, why the English language possessed a power of conferring value by an expression of denomination which was denied to the German.

Nay, more, if there ensued any controversy in the course of this explanation, they would find themselves under the necessity of assigning reasons why the English language possessed this singular

attribute, when used in the mother country, of which it was at once divested, when used in the colonies.

For they might truly be told, that the preambles of the acts of the 24th of George II. and of the 4th of George III.* furnished evidence that the denomination given to the paper money in America before the revolution had not that effect. And that since that event, when Congress were forced to attempt to convey by language a defined notion of the value of the paper they meant to constitute a legal tender, even with the aid of the English language, they could fall on no means of doing it, but by declaring, "that every paper dollar should be "taken and esteemed at the rate or value of seven "shillings and sixpence, and of equal value in "the payment of debts with a Spanish milled silver "dollar, weighing *seventeen pennyweights and six* "*grains.*"†

Paper currency is the subject of all others most apt to be involved in mystery; for there are many who in treating of it affect obscurity, to veil over their ignorance of what they profess to understand; whilst there are not a few, who knowing that they

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* See note, page 101, containing Extracts from the Preambles of these Acts.

† See clause 2d of the Act, Appendix, No. 1, making American Bills of Credit a legal tender.

profit by its increase, and who feeling therefore an interest hostile to all examination and inquiry, endeavour to overwhelm all rational explanation by mysterious and unintelligible panegyric, lest it should derogate from the merits of a system from which they derive such benefit.

But if the select committee of the House of Commons had in their report gone more fully into the discussion of the manner in which an excess of paper produces the ruinous effects they have attributed to the recent increased issue of Bank Notes; it is hardly possible that Parliament should have been so blind to the real situation of our currency as to have sanctioned the measures brought forward at the end of the last Session.

For there is no means of throwing so much light on the question, whether the difference betwixt the value of paper and the coin it represents is occasioned by an augmentation of the value of gold, or by a depreciation of that of paper, as what naturally arises out of a clear and accurate understanding of the circumstances that regulate the order, in point of time, and the manner in which a superabundance of paper must produce a rise in the price of goods, and create that difference of value betwixt coin and paper, the causes of which are disputed.

In explaining the means by which an over-issue

of paper produces the effects that have been ascribed to it, it is a fortunate circumstance, that notwithstanding the eagerness with which this controversy has been conducted, there exists no dispute, either in respect of the fact that a rise in the value of commodities has taken place, and that a great difference exists betwixt the value of gold and of paper; or concerning the order in point of time, in which these occurrences have become apparent; for all have agreed in the opinion so distinctly expressed by Mr. Rose, that in commodities, the rise in value since the restriction has been annually progressive; whilst the difference betwixt gold and paper was not very considerable till the end of the year 1808 and the beginning of the year 1809, when it suddenly became formidable.*

Now, however singular it may appear to the Vice-President of the Board of Trade, it is certain that this statement of facts, in which he agrees with all his co-adjutors in the controversy, is alone sufficient to authorize the inference, that the paper currency of this country is at present depreciated.

In the first place, if it is true that gold and paper

* See Report of the Secret Committee of the House of Commons, page 1. See also Mr. Rose's Speech, page 4, in which he says, "that commodities have risen rapidly is beyond dis-"pute;" and (page 29) where he states, "that since the Bank "restriction we find the prices of other commodities advancing "yearly, while in gold there was no considerable rise till the "year 1809."

remained nearly equivalent till the year 1809; and that betwixt the years 1797, when the restriction was imposed, and the year 1809, there was a progressive rise in the price of commodities, it is scarcely necessary to explain to a person, who in the very same page in which he has given this statement of facts, quotes and relies upon Sir George Shuckburgh's tables, that he must admit that betwixt 1797 and 1809, the value of our currency—that is, both of Bank Notes and of the coin that circulated with them—must have suffered a depreciation.

But if, at the end of this period, it is also true that coin rose rapidly in value, and that a great difference of value betwixt coin and Bank Paper became apparent, can there be two opinions on the necessary inference? Must not all agree in thinking, that though coin, in consequence of this rise, may have resumed its former value, yet Bank Notes which did not partake of this augmentation of value, must have remained in the state of depreciation, in which this statesman, by his facts and his reasoning, has proved them to have existed; and this observation is equally applicable to the reasoning of all the other advocates for our present system of circulation; for whilst they admit the statement with regard to the order of time in which the rise in the price of goods took place, and in which the difference betwixt Gold and Bank Notes became, comparatively speaking, apparent; there are none of them

who have openly controverted the principle upon which the tables in the Philosophical Transactions proceed.

In the next place it is to be observed, that all who have maintained that the difference in value betwixt gold and paper arises from an increase in the value of gold, have completely overlooked the circumstance of the date, at which they admit this difference to have become apparent, for there exists not in the works of any of the numerous orators and authors who have asserted this position, a single sentence devoted to an explanation why coin or gold should have suddenly advanced in value in 1809.

The war in Europe, which, (as in King William's time,) is regarded by many as the cause of the rise in the value of the metals, cannot account for its becoming apparent in the year 1809; for it is impossible, that if war could have produced such an effect, that it should not have been perceived at a much earlier period. Neither was it then, to use the language of the year 1696, that "the over-"grown greatness of the French monarch, that "aspiring prince, who had put a yoke on the neck "of Europe,"* first displayed itself; for we had unfortunately long experienced every species of evil that his talents and ambition were capable of inflicting.

* See note, page 122.

The state of our commerce, in consequence of our orders in council co-operating with the decrees of Berlin and of Milan, is equally incapable of accounting for this rise in the value of gold; as it is impossible that the effects of these measures should have suddenly displayed themselves in 1809.

It may, therefore, be fairly stated, not only that no satisfactory cause has hitherto been assigned to account for the supposed rise in the value of the metals, but that no attempt whatever has been made to assign any cause why such a rise should have happened at the period in which it is said to have taken place.

But if we ascribe the difference betwixt the value of paper and of coin to a depreciation of paper arising from super-abundance, there is no man who really understands the manner in which an over-issue of paper operates, that can have the smallest difficulty in accounting for the order in which the rise in the price of goods, and the difference betwixt paper and gold has taken place.

Though the quantity of gold in the coffers of the Bank was considerably reduced at the time the restriction was imposed, the portion usually employed in circulation throughout the country must have been nearly unimpaired; and it is known that the restriction itself produced no

and creating a desire in the sugar baker to acquire, could not fail to raise the price of that commodity.

Mr. Thornton's evidence, indeed, only states a single case, in relation to the price of sugars; but this case sufficiently explains the principle upon which an extra-issue of paper operates, and makes it impossible not to perceive that the great enlargement of accommodation, which an extended circulation of paper affords to the mercantile adventurers, by enabling some to withhold from the market the commodities on hand, and creating a desire in others to use the credit they can with such ease obtain, for the purpose of purchasing on speculation, must have universally the effect of raising the value of commodities.

It is true these extended speculations, and this advance in the price of commodities, could not endure, if it was not sustained by an increase of consumption and consequent augmentation of demand, for the various articles in which merchants are induced to speculate.

But this is also a natural effect of a derangement, produced in the economical state of a country by a superabundance of circulating medium.

An increased demand for our manufactures, by raising the wages of manufacturing labour, increases the expenditure of the manufacturer,

whilst the extra expenditure of those who estimate their revenue by calculations of the ideal profits likely to arise from that extended commerce, in which enlarged credits have enabled them to embark, as well as the facilities which men acquire by the extension of credit, of encroaching on their capital, alike contribute, by increase of demand, to advance the price of all commodities, and to give for a time the appearance of real prosperity to a state of things pregnant with calamity.

Unless, therefore, the principle, that the price of all commodities is regulated by the quantity of them and the demand for them, is erroneous, it is impossible that a gradual extension of paper should not produce an increase of the price of commodities. But guineas must partake of the value of the paper along with which they circulate; for the reasoning of the Committee of the House of Commons, in their Report, is sound, which leads them to assert, that an excess of any part of the currency of a country must depreciate the whole. Neither is it necessary for the Committee in maintaining this principle, as the author of the Defence of Abstract Currrencies has in his Introduction triumphantly stated, to pre-suppose some relative discredit* before they can explain the cause of the rise in the value of gold.

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* See Mr. Gloster Wilson's Treatise on Abstract Currencies, Introduction, page 12.

limited to what constitutes a reward for the trouble of collecting, and the danger of melting it.

The moment, however, guineas become so scarce, that even industry cannot procure them in exchange for Bank Notes, this check on the value of gold no longer exists; and in assuming the value in relation to paper, which in conjunction with other commodities it ought naturally to bear, it appears suddenly to sustain that rise of value on which so many observations have been made.

It is impossible that this view of the subject should not in itself appear decisive of the question, whether the difference betwixt coin and paper is occasioned by a rise in the value of coin, or by a depreciation of paper; for whilst those who contend for the former position, can neither give, nor have attempted to give, any reason for such a rise having become suddenly apparent in 1808-9, after commodities had undergone for years a gradual augmentation in value; all these occurrences appear the natural result of a depreciation of paper.

But this is not all; for a very short examination of the nature of the proposition, that coin of gold and silver has risen in value, which we are thus, independent of all argument, ordered to believe, must shew that it is a thing hardly possible; whilst a depreciation of paper, far from being improbable, seems the certain effect of the present state of our currency.

Those who maintain that the metals have risen in value, are, from the very nature of the proposition, under the necessity of considering Bank Notes as a commodity; the value of which being independent of the coin they promise to pay, must be regulated on the principles which determine the value of all other commodities.

It follows, then, that according to them, gold, silver, and Bank Notes, must be considered as three distinct species of commodities, the values of which must be severally regulated, according to the demand for, and the quantities of each. That is, a rise in the value of gold must be occasioned by an increase of demand for, or a diminution of the quantity of gold; a rise in the value of silver, either by an increase of the demand for, or by a diminution of the quantity of that metal; and an alteration in the value of Bank Notes must equally depend upon the same change in the demand for, or in the quantity of that commodity.

To suppose, then, that the difference in value betwixt Bank Notes and coin of gold and silver is the consequence of a rise in the value of coin, is to suppose that the proportion betwixt the demand for, and the quantity of gold; and the proportion betwixt the demand for, and the quantity of silver, have both undergone a change which has fortuitously happened to be such as to make the

For though guineas, whilst they remain in circulation at home, must partake of the depreciated value of the notes with which they are interchangeable, that is no reason why they should not retain their undiminished value abroad, where the cause of the alteration does not exist; and though the laws of this country, under such circumstances, may delay, they can never prevent their gradual exportation; for even the forfeiture of life, as enacted by the laws of Spain and Portugal, could not retain within the Peninsula the coin imported from America.

It is clear, therefore, that whilst the price of commodities must gradually increase in proportion as paper is augmented, so the encouragement to the exportation of gold must be precisely in the same ratio; for as gold, in the shape of coin, sinks in value with the note at home, the premium on its exportation, consisting of the difference betwixt its value in relation to commodities in this country, and its value in relation to commodities abroad, must augment in the same proportion that our goods appear to rise.*

* The trifling premium which in any country will command the importation of foreign coin, or banish it from circulation, is powerfully illustrated by the following extract from Sir Isaac Newton's Representation relating to the coin of England in 1717:

" Some years ago the Portugal moidores were received in the " West of England at 28*s*. a piece: upon notice from the Mint " that

It is also material to observe, that though during the progress of this augmentation of the price of commodities, and whilst our gold coin is gradually disappearing, the value of gold may increase; yet that increase, so long as gold coin remains at all interchangeable with paper, must be regulated on different principles from those which determine either the price of our commodities, or the premium on the exportation of our coin; for whilst things are in that state, it is evident that the increase must be

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" that they were worth only about 27*s.* 7*d.* the Lords Commis-" sioners of the Treasury ordered their receivers of taxes to take " them at no more than 27*s.* 6*d.* Afterwards many gentlemen " in the West sent up to the Treasury a petition, that the re-" ceivers might take them again at 28*s.* and promised to get " returns for this money at this rate, alledging, that when they " went at 28*s.* their country was full of gold, which they wanted " very much: but the Commissioners of the Treasury consider-" ing that at 28*s.* the nation would lose 5*d.* a piece, rejected the " petition."

Thus an advantage of 5*d.* on 28*s.* was sufficient to fill the West of England with foreign gold, whilst the loss of 1*d.* on 28*s.* in consequence of the proclamation of the Mint, seems to have banished it all from circulation.

In the same report we are informed, that in the last year of King William's reign, the Louis d'or of France, worth only 17*s.* ¾*d.* a piece, passed in quantities in England, being received for 17*s.* 6*d.* and that a proclamation forbidding them to be taken at more than 17*s.* sent, within a short space of time, upwards of fourteen hundred thousand pounds worth to be melted at the Mint.

Thus, at that time, an advantage of 5¼*d.* per Louis d'or, sufficed to bring into England a great quantity of French money: and the benefit of ¾*d.* per Louis d'or to be derived from melting it, sent it all to the Mint.

limited to what constitutes a reward for the trouble of collecting, and the danger of melting it.

The moment, however, guineas become so scarce, that even industry cannot procure them in exchange for Bank Notes, this check on the value of gold no longer exists; and in assuming the value in relation to paper, which in conjunction with other commodities it ought naturally to bear, it appears suddenly to sustain that rise of value on which so many observations have been made.

It is impossible that this view of the subject should not in itself appear decisive of the question, whether the difference betwixt coin and paper is occasioned by a rise in the value of coin, or by a depreciation of paper; for whilst those who contend for the former position, can neither give, nor have attempted to give, any reason for such a rise having become suddenly apparent in 1808-9, after commodities had undergone for years a gradual augmentation in value; all these occurrences appear the natural result of a depreciation of paper.

But this is not all; for a very short examination of the nature of the proposition, that coin of gold and silver has risen in value, which we are thus, independent of all argument, ordered to believe, must shew that it is a thing hardly possible; whilst a depreciation of paper, far from being improbable, seems the certain effect of the present state of our currency.

Those who maintain that the metals have risen in value, are, from the very nature of the proposition, under the necessity of considering Bank Notes as a commodity; the value of which being independent of the coin they promise to pay, must be regulated on the principles which determine the value of all other commodities.

It follows, then, that according to them, gold, silver, and Bank Notes, must be considered as three distinct species of commodities, the values of which must be severally regulated, according to the demand for, and the quantities of each. That is, a rise in the value of gold must be occasioned by an increase of demand for, or a diminution of the quantity of gold; a rise in the value of silver, either by an increase of the demand for, or by a diminution of the quantity of that metal; and an alteration in the value of Bank Notes must equally depend upon the same change in the demand for, or in the quantity of that commodity.

To suppose, then, that the difference in value betwixt Bank Notes and coin of gold and silver is the consequence of a rise in the value of coin, is to suppose that the proportion betwixt the demand for, and the quantity of gold; and the proportion betwixt the demand for, and the quantity of silver, have both undergone a change which has fortuitously happened to be such as to make the

two metals, all at once, augment in value, accurately in the same proportion.

On the great improbability of such an incident, it is certainly needless to enlarge; it implies either that the taste of mankind for two different commodities should, at one and the same time, by accident be so altered as to create a corresponding increased desire for each, or that the bounty of nature should all at once have become limited in similar proportions with respect to the quantity of each of these metals: and we are desired to believe that this rise of value has suddenly taken place with respect to two commodities, which for centuries have been uniformly diminishing in value in ratios so different, that though silver was formerly to gold as 10 to 1, it is now become comparatively so abundant as to be in value only in the proportion of rather more than 15 to 1.

But in adopting the hypothesis, that the difference of value betwixt our coin and our Paper Currency arises from the diminution of the value of Bank Notes, no such improbable co-incidence of change in value betwixt two several commodities is assumed;—to account for it, it is only necessary to suppose that there has been a variation, either in the demand for, or in the quantity of Bank Notes;—and that this last circumstance has actually occurred, cannot easily be disputed, when it is known that since the year 1808, previous to which a sufficiency of paper must have

been thrown into circulation to fill up the blank occasioned by the absence of our coin; an increase to the extent of twelve millions has taken place.

There are many other views of the subject which lead with equal certainty to the conclusion, that the paper currency of this country is depreciated; but it really seems ridiculous to accumulate further proofs; for it is impossible to believe that there exists the man who can doubt whether the difference betwixt coin and paper is occasioned by a rise in the value of the metals, or by a depreciation of Bank Notes, when he knows the state of our currency, and is made acquainted with the manner in which the increase of Bank paper accounts for all that has happened.

Far less can it be believed that a doubt of the real situation of our circulating medium can pervade the mind of any one, who reflects on the high improbability of gold and silver having risen in value—on the still greater improbability of their having sustained that rise in value, in similar proportion, at the commencement of the year 1809—and perceives that this hypothesis cannot possibly explain any of the occurrences that have taken place.

APPENDIX.

No. I.

AN Act for making the Continental Bills of Credit, and the Bills of Credit emitted by Resolves of the late Assemblies, legal tender, and for other purposes therein mentioned.

Whereas, it is highly necessary that the Bills of Credit emitted and made current by the Continental Congress, and the Bills of Credit emitted and made current by the late Assemblies of Pennsylvania, ought to be made legal tender in all payments, and to be alike taken by every person in this state, in the discharge of debts and for the purchasing the necessaries of life, and materials of defence; and it is evidently necessary that the counterfeiting of the said Bills of Credit made current by public authority, should be prevented.

Be it therefore enacted, and it is hereby enacted by the Representatives of the Freemen of the Commonwealth of Pennsylvania, in General Assembly met, and by the authority of the same, That, from and after the sixth day of February next, the Bills of Credit emitted and made current by the Continental Congress, shall pass current in this state, and be received in payments, and discharge of all manner of debts, rents, sum and sums of money whatsoever, due, or hereafter to become due, payable, or accruing upon or by reason of

any mortgage, bond, specialty, bills, note, book account, promise, assumption, or any other contract whatsoever, according to the sum which the said bills respectively entitles the bearer thereof to receive, each dollar therein expressed to be taken and esteemed at the rate or value of seven shillings and sixpence, and of equal value in the payment of such debts with a Spanish milled silver dollar, weighing seventeen pennyweights and six grains, any clause, proviso, or device, in any bond, note, or other instrument of writing, to the contrary whereof in anywise notwithstanding.

And be it further enacted, by the authority aforesaid, That the Bills of Credit emitted and made current by the resolves of the late Assemblies of Pennsylvania, and the Bills of Credit emitted on loan by an Act of Assembly of the 26th of February, 1773, shall in like manner be, and is hereby declared to be a legal tender; and shall be taken and received in payment and discharge of all manner of debts whatsoever as aforesaid, according to the sums specified in said bills; and if any person or persons, from and after the said sixth day of February next shall refuse to receive any of the said Bills of Credit, when properly tendered in payment of any debt or demand whatsoever, provided the whole of such debt or demand be tendered, he, she, or they, so refusing, shall be for ever barred from suing for, or recovering the same in any court of this state, and if any suit or suits shall be commenced for such debt or demand, after tender and refusal as aforesaid, the defendant may plead payment, and give this act and the special matter in evidence.

Provided, nevertheless, and be it further enacted by the authority aforesaid, That after any such tender as aforesaid being made, if the creditor to whom such money is tendered, shall within four days next thereafter make demand of the said debt before two creditable witnesses, it shall and may be lawful for such creditor to sue for and recover such debt; but

shall recover no interest on said debt, after such tender or costs on his action.

And be it further enacted, by the authority aforesaid, That where any such tender shall, as aforesaid, be made, in order to pay any debt or demand of money due and payable of any kind whatsoever, and refused, and not demanded within four days after such tender as aforesaid, then, and in such case, the said debt or money due or payable, mentioned in any mortgage, bond, specialty, bill, or note, book account, or any other debt whatsoever, is hereby declared to be forfeited, the one-third part thereof to the debtor, and the other two-third parts to this state: and every such debtor who shall make such tender is hereby directed and required to pay the two-third parts of every debt so forfeited, into the hands of the Treasurer of the County appointed to receive the state tax, (whose receipt shall be a sufficient discharge to such debtor for the monies by this act forfeited) retaining the one-third part in his, her, or their own hands.

And whereas, divers persons in this state, (taking advantage of the necessitous) when they put money on loan, or in other contracts, have bargained with, and bound the borrower or purchaser to pay the debt in sterling money of Great Britain, according as the exchange might be between the cities of Philadelphia and London. And as the intercourse between the said cities is now so far obstructed that no such exchange can be ascertained, and except some rule is settled by law, the debtor cannot pay his debt, though he be so disposed and has in his possession Bills of Credit for that purpose, for remedy whereof, Be it enacted, that where any person stands bound to pay any debt in sterling money aforesaid, according to the exchange as aforesaid, such creditor shall receive Continental Bills of Credit, or Bills of Credit of this state, in payment and discharge of any such debt, at the rate

of one hundred and sixty five pounds Pennsylvania currency for one hundred pounds sterling, if tendered as aforesaid, and on refusal thereof shall be deemed and taken to be within the meaning of this act, in cases of refusal of the Bills of Credit in tender as aforesaid.

And whereas, bonds or other writings may have been given for money to be paid in Half Johannes weighing nine penny-weights, or as much in Bills of Credit as will purchase the same—It is hereby declared and enacted, That eight Continental Dollars in Bills of Credit aforesaid, or three pounds in Bills of Credit of this state afore-mentioned, or of any of the Bills of Credit of Pennsylvania, shall be deemed and taken to be worth one Gold Portugal Half Johannes, weighing as aforesaid, and in the same proportion for all other gold coin. And all persons whomsoever, refusing to take and receive such Bills of Credit in payment and discharge of such debt, and redemption of such bond, or other writing as aforesaid, shall be deemed and taken to be within the meaning of this Act, and shall forfeit such debt, and be in all things dealt with as in this act is directed in cases of refusal on tender.

And be it further enacted, by the authority aforesaid, That every such debtor who shall make tender of any debt or demand as aforesaid, which shall be refused and not again demanded as aforesaid, is hereby directed and required, under the penalty of two shillings out of the pound of such debt, within the space of six days to inform one or more of the Commissioners of the County for the time being, elected o appointed to levy the public taxes, of the sum so tendered, and to whom, and the time when, and the names of the wit nesses present at such tender; and the Commissioners of every County shall keep fair books of entries of all such sums of money forfeited by this act, and lay the same before the Committees of Assembly, appointed to settle the public ac-

counts for the time being, and in case any debtor neglect to give such information, then any other person who gives the first information shall be entitled to the aforesaid two shillings in the pound, and three-pence per mile travelling charges for his trouble.

And be it further enacted, by the authority aforesaid, That the Commissioners for the time being, of every county of this state, are hereby authorized and required to ask, demand, sue for, and recover, two-third parts of every debt or sum of money, so as aforesaid tendered and refused, and not afterwards demanded as aforesaid, which action or actions, suit or suits, shall be brought or commenced and prosecuted by the said Commissioners, by name and style of the Commissioners of said County; and the process shall be the same, and as effectual in law, as if such mortgage, bond, specialty, or note, was given to such Commissioners bona fide for a valuable consideration, or as if such other debt was contracted with said Commissioner or Commissioners; and after receiving the same, some one of them shall enter satisfaction in the records of such mortgage, as is required by an Act of General Assembly of Pennsylvania in cases of discharging mortgages.

And if any person or persons, having so as aforesaid tendered any money in payment of any debt, and the same being refused and sued for, and recovered by the commissioners, or paid without any suit commenced, it shall and may be lawful for every such debtor to ask for, and demand, his, her, or their mortgage, bond, specialty, bill, or note, or a discharge of his, her, or their debt, if it shall be of any other kind or denomination; every such demand being made before two creditable witnesses, and such creditor refusing or neglecting to deliver up to such debtor such writing, or give such discharge as

aforesaid, it shall and may be lawful for every such debtor to sue for and recover, of and from such creditor, his or her heirs, executors, or administrators, a sum of money equal to the sum for which such mortgage, bond, specialty, bill, or note, was given, together with interest and costs of suit.

And be it further enacted by the authority aforesaid, That in every case where any title deed or deeds, have been, or shall be, lodged or deposited in the hands of any person or persons to whom any mortgage has been or may be made, and the money mentioned herein forfeited, as by this act declared, and such mortgager, his or her heirs, executors, or administrators, or the owners of the lands and tenements mentioned in such deeds, shall demand the same and be refused, it shall and may be lawful for such mortgager, his or her heirs, executors, or administrators, or such owner of the lands, to sue for and recover of such mortgagee, his or her heirs, executors, or administrators, or assigns, a sum of money not exceeding double the value of the lands and tenements mentioned in such deeds; and if any such person or persons as aforesaid, being sued, shall, at any time before the determination of such suit, deliver up to the plaintiff, or lodge such deed or deeds, whole and undefaced, in the Prothonotary's Office of the court wherein such action shall be, and pay the costs of suit, and a sum as the court shall order, not exceeding twenty pounds, to the prosecutor for his trouble, in that case such action shall cease.

And in all cases where tender shall be made as aforesaid, and the person to whom such tender may be made, shall afterwards assign, transfer, or set over, any mortgage, bond, specialty, bill, or note, every such person shall be, and is hereby declared to be, guilty of fraud, and forfeit and pay to the person to whom such assignment as aforesaid may be made, or

to his or her heirs, executors, or administrators, a sum equal to double the sum mentioned in such mortgage, bond, speciality, bill, or note, so assigned or transferred, to be recovered by an action of debt in any court of record in this state.

And be it further enacted by the authority aforesaid, that if any person whatsoever shall, after the sixth day of February next aforesaid, refuse to take and receive any of the bills of credit aforesaid, in payment for any live stock, necessary of life, commodity, manufacture, article, or goods whatsoever, which he or she shall sell, or expose to sale, and offer the same for a less price, or smaller sum of money, to be paid in gold or silver, or in any one sort of the Bills of Credit, or other current money passing in payment of debts in this state, than in the Bills of Credit emitted by the Continental Congress, or in Bills of Credit emitted by resolves of assembly aforesaid, every such person shall forfeit to the use of the state a sum of money equal to, or as much as, the sum he or she had refused to take for the commodity so sold, or that he or she had asked for or rated such stock, necessary of life, commodity, manufacture, article, or goods at; and on proof thereof being made by two creditable witnesses before any one of the justices of the peace of the county, such justice shall (if such sum of money as aforesaid forfeited shall not exceed Five Pounds,) issue his precept in the name of the state in the nature of a summons, or capias, as the case may be, and prosecute and recover the sum so proved to be forfeited, in the manner prescribed and directed by the laws for recovery of debts not exceeding five pounds, together with costs of suit.—And if any such forfeiture as aforesaid shall exceed five pounds, the justice before whom any such proof shall be made, shall, within six weeks, send an account in writing to the Commissioners of the county, or one of them, containing the names

of the witnesses proving the same, and the person who, and the sum that he or she has so forfeited. And the said Commissioners are hereby enjoined and required, as soon as may be, to sue for and recover such sum or sums of money in the same manner, and when so recovered, pay the same to the same persons as is in this act directed in cases of refusal on tender. And when any justice shall recover any money, so as aforesaid forfeited, he shall pay the same to the treasurer aforesaid, who shall give his receipt for the same. And every justice of the peace in this state shall, once in each year, send an account to the said Commissioners, of the sum or sums of money he shall have recovered, so as aforesaid forfeited, which the Commissioners shall make fair entries of, and report the same to the Committee of Assembly aforesaid, for the time being. And the fees or allowance to the said Commissioners, for the services and duties by this act required, shall be the same as they have a right by law to take and receive in other cases. And if any of the said Commissioners shall refuse or neglect to do and perform his or their duty, by this act directed and required, such Commissioners respectively shall be fined in a sum of money, not exceeding ten pounds, by the next Court of Quarter Sessions, and another or others appointed in his or their stead by the said court. Every such fine to be for the use of the state, and be recovered as fines are directed to be recovered by the act for raising county rates and levies.

And be it further enacted, by the authority aforesaid, That if any person or persons, from and after the publication of this Act, shall counterfeit or alter any of the aforesaid Bills of Credit, with design to increase the value of such bill, by this act made a legal tender, or any of the Bills of Credit made current by any one of the Assemblies, Conventions, or Congresses of any of the United States of North

America, or utter any of said Bills of Credit, so counterfeited or altered, knowing them to be such, and being duly convicted thereof, shall suffer all the pains and penalties, fines and forfeitures, which by the late laws of Pennsylvania could or might have been inflicted on any person or persons so offending.

APPENDIX.

No. II.

Veneris, 4° die Decembris, 1696.

THE House being acquainted, that the Governor and Directors of the Bank of England attended according to order:

They were called in; and at the bar, presented to the House two papers; one intitled, Stock for the Honourable the Governor and Company of the Bank of England; the other, A particular List of Tallies on Parliamentary Funds; inserted in the said account of stock;

And then withdrew.

And the said papers were read, and are as follow, viz.

Stock for the Honourable the Governor and Company of the Bank of England.

Dr.	£.	s.	d.		*Cr.* £	s.	d.
To sundry Persons for sealed Bank Bills standing out	893,800	0	0	By Tallies on several Parliamentary Funds, as per List thereof annexed with Interest . . .	1,784,576	16	5
To ditto due on Notes for running Cash	764,196	10	6				
To Monies borrowed in Holland .	300,000	0	0	By Half a Year's Deficiency of the Fund of 100,000*l.* per Ann. in the 2d Year	50,000	0	0
To Interest due upon Bank Bills standing out . .	17,876	0	0				
Balance . .	125,315	2	11	By Mortgages, Pawns, other Securities, and Cash	266,610	17	0
	£2,101,187	13	5		£2,101,187	13	5

London, November 10, 1696.

Examined by order of the Court of Directors,

Per. THO. MERCER, Accountant.

The said List of Tallies on Parliamentary Funds.

	£	s.	d.
On the 4th year's Land Tax	431,924	0	4
On continued Impositions on East India goods,	94,960	12	3
On the 4th year's Custom	200	15	9
On the 3d year's Land Tax	122,029	4	7
On the Post-Office Security	60,629	1	8
On the 2d year's Customs	109,014	13	8
On Wines, Vinegar, &c.	184,823	18	3
On the Coal Act	174,775	19	6
On the 3d year's Customs	130,713	13	1
On Marriages, &c.	431	12	0
On Joint Stocks	2,884	1	1
On $\frac{2}{3}$ Excise	24,667	19	2
On the Reversionary Annuities	141,865	16	2
On the Salt Act	250,000	0	0
On Paper and Parchment	11,310	4	6
Interest grown due thereon	44,345	4	5
	£1,784,576	16	5

London, November 10th, 1696.

Examined by order of the Court of Directors,
Per Tho. Mercer, Accountant.

Ordered, That the said papers be referred to the consideration of the Committee of the whole House; who are to consider further of that part of His Majesty's Speech which relates to the credit of the nation; and of the supply to be granted to His Majesty, for making good the deficiencies of parliamentary funds.

Ordered, That the Governor and Directors of the Bank of England do attend the said Committee.

Resolved, That this House will, to-morrow morning, resolve itself into the said Committee of the whole House.

Jovis 10° *die Decembris,* 1696.

Sir John Bolles reported from the Committee appointed to inspect the books of the Bank of England, and examine into their accounts given into the House, that they had inspected the books, and examined into their accounts accordingly; and had directed him to report the matter thereof to the House; which he read in his place; and afterwards delivered in at the Clerk's table: where the same was read; and is as followeth, viz.

That as to the item of £893,800. the first article on the debit side in the said account, it appeared by the books of the said Bank, to be the balance of a debt due to sundry persons for sealed Bank Bills standing out:

That as to the item of £764,196. 10*s.* 6*d.* it appeared to the Committee, that £68,669. 6*s.* 1*d.* part of that sum hath been issued out in notes, called Specie Notes; which carry interest, if for £20. or upwards, at the rate of £6. per cent; of which Specie Notes there were reckoned to be about one-third under £20. which pay no interest; and that £695,527. 4*s.* 5*d.* remainder of the £764,196. 10*s.* 6*d.* was issued out by notes, for running cash, without interest:

That as to the item of £300,000, it appeared to be the balance of a general debt, contracted, and remaining due to the States of Holland; and that, for the security of the repayment thereof, they say, the Dutch Ambassador hath in his custody Tallies belonging to the Bank.

That as to the item of £17,876, it appeared to be a sum computed to be due for interest upon Bank Bills standing out;

but that there could be no exact certainty therein, till the bills themselves came in, for the better ascertaining the same.

That as to the item of £1,784,576. 16*s*. 5*d*. the first article on the credit side in the said account of Tallies on several Parliamentary Funds;

	£	s.	d.
There appeared to be entered in their books, tallies for the sum of	1,520,407	13	9
And they produced orders and tallies which were not entered in their books for the sum of	219,823	18	3
And for interest from the 1st of April to the 1st of November, 1696, not entered in their books, for	44,345	4	5
Which said sums make up the item of	£1,784,576	16	5

But it did not appear by their books, after what sums the said Tallies were payable upon each respective fund.

That as to the item of £50,000. for half a year's deficiency on the fund of £100,000. per ann. the same appeared so by their books:

That as to the item of £266,610. 17*s*. upon mortgages, pawns, other securities, and cash, it appeared to consist of the several articles following:

	£	s.	d.
By cash per balance book	35,664	1	10
By Goldsmith's Notes as per ditto . . .	9,636	14	1
By private loans, mortgages, &c. as by the abstract of the ledger	42,160	0	8
By tickets on the million adventure . .	1,320	0	0
By bills discounted not yet received . .	16,746	16	4
By Chamberlain Certificates discounted .	1,644	10	0
Carried over	107,172	2	11

	£	s.	d.
Brought over	107,172	2	11
By money due from Holland; entered here, because the tallies deposited are so much short of the credit the states have of £300,000	30,176	1	9
By cash remitted, more than drawn; in regard there is so much due to the Governor and Company, after the credit of the States of Holland is satisfied	27,507	12	4
Unpaid on account of the stock of £1,200,000, for which bonds are given, and may be called in; therefore reckoned as cash	101,755	0	0
	£266,610	17	0

Ordered, That the consideration of the said report be referred to the Committee of the whole House; who are to consider of that part of His Majesty's Speech which relates to the Credit of the Nation.

APPENDIX.

No. III.

Report of the Committee of the House of Commons, November 1797.

THE Committee of Secrecy appointed to inquire whether it may be expedient further to continue the restriction contained in two acts, made in the last Session of Parliament, respecting payments in cash by the Bank, have inquired accordingly, and agreed upon the following report, viz.

Your Committee have, in the first place, examined the total amount of out-standing demands on the Bank of England, and of the funds for discharging the same; and find, from the examination of the Governor and Deputy Governor of the Bank, and the documents produced by them, that the total amount of outstanding demands on the Bank was, on the 11th day of this instant November, £17,578,910, and that the total amount of the funds for discharging the same (without including the permanent debt due from Government of £11,686,800, which bears an interest of three per cent.) was, on the same day £21,418,460, leaving a balance of surplus in favour of the Bank (exclusive of the above-mentioned debt from Government) of £3,839,550.

Your Committee next proceeded to examine the principal articles of which the above-mentioned sum of £21,418,460, being the credit side of the account, is made up, with a view

of ascertaining how far the Bank might be enabled to resume its accustomed payments in cash, in case the restriction at present subsisting should be removed: and your Committee find, that the advances to Government have, on the one hand been so much reduced since the 25th of February last, as to amount, on the said 11th day of this instant November, to no more than the sum of £4,258,140; while on the other hand, the cash and bullion in the Bank have increased to an amount more than five times the value of that at which they stood on the same 25th of February last, and much above that at which they have stood at any time since the beginning of September, 1795.

Your Committee further find, that the course of exchange with Hamburgh is, at present, unusually favourable to this country, and that, from the situation of our trade, there is good reason to imagine it will so continue, unless political circumstances should occur to affect it.

Your Committee next proceeded to examine the Governor and Deputy Governor of the Bank, as to their opinion of the inconvenience which may have arisen from the restriction imposed on the Bank from making payment in cash, and of the expediency of continuing such restriction; and your Committee find that they are not aware of any such inconvenience, and that they are supported in that idea, by knowing that the bankers and traders in London, who had a right by the Act of Parliament to demand three-fourths of any deposit in cash which they had made in the Bank, of £500 or upwards, have only claimed about one-sixteenth; and your Committee find that the Court of Directors of the Bank, did, on the 26th of October, 1797, come to a resolution, a copy of which is subjoined to this report.

Your Committee having further examined the Governor and Deputy Governor, as to what may be meant by the poli-

tical circumstances mentioned in that resolution, find, that they understand by them, the state of hostility in which the nation is still involved, and particularly such apprehensions as may be entertained of invasion, either in Ireland or this country, together with the possibility there may be of advances being to be made from this country to Ireland; and that from those circumstances so explained, and from the nature of the war and the avowed purpose of the enemy to attack this country by means of its public credit, and to distress it in its financial operations, they are led to think that it will be expedient to continue the restriction now subsisting, with the reserve for partial issues of cash, at the discretion of the Bank, of the nature of that contained in the present Acts; and that it may be so continued without injury to the credit of the Bank, and with advantage to the nation.

Your Committee, therefore, having taken into consideration the general situation of the country, are of opinion, that notwithstanding the affairs of the Bank, both with respect to the general balance of its accounts, and its capacity of making payments in specie, are in such a state that it might with safety resume its accustomed functions under a different state of public affairs; yet that it will be expedient to continue the restriction now subsisting on such payments, for such time, and under such limitations, as to the wisdom of Parliament may seem fit.

Copy of a resolution of the Court of Directors of the Bank:

"At a Court of Directors at the Bank, on Thursday, the 26th October, 1797.

Resolved,

THAT it is the opinion of this Court, That the Governor and Company of the Bank of England are enabled to issue

specie, in any manner that may be deemed necessary for the accommodation of the public; and the Court have no hesitation to declare, that the affairs of the Bank are in such a state that it can with safety resume its accustomed functions, if the political circumstances of the country do not render it inexpedient: But the Directors deeming it foreign to their province to judge of these points, wish to submit to the wisdom of Parliament, whether, as it has been once judged proper to lay a restriction on the payments of the Bank in cash, it may, or may not, be prudent to continue the same."

FINIS.

Printed by J. M'Creery,
Black-Horse-Court, London.

PRACTICAL

OBSERVATIONS

ON THE

REPORT

OF THE

BULLION-COMMITTEE.

Printed by Galabin and Marchant, Ingram-Court, London.

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PRACTICAL OBSERVATIONS

ON THE

REPORT

OF THE

BULLION-COMMITTEE.

By CHARLES BOSANQUET, Esq.

LONDON:

PRINTED FOR J. M. RICHARDSON, 23, CORNHILL, OPPOSITE THE ROYAL EXCHANGE.

1810.

PRACTICAL OBSERVATIONS,

&c. &c. &c.

"REASONING on things by figures is the way," says Sir William Davenant, "to come to sure conclusions."—To reason in this mode, exclusively, is the object of the present work.—The things to be reasoned upon are the opinions of the Bullion-Committee; and the figures to be employed are chiefly those contained in the Appendix to its Report. Abstract reasoning is foreign to my purpose; my observations will be founded wholly on facts, and these will be introduced with such details only as are necessary to render their application intelligible to those who have not the Report, with its Appendix, immediately before them.

In the early part of 1809, the foreign exchanges experienced a rapid and unusual depression; at the same time, the price of gold-

bullion rose in an equal degree,—and the variation, when at the highest, in October and November, amounted to nearly 20 per cent.

The public attention was drawn to this subject by a pamphlet, published late in 1809, (the substance of which had previously appeared in the Morning Chronicle,) entitled, "The high Price of Bullion a Proof of the Depreciation of Bank-Notes." This pamphlet, by Mr. Ricardo, is wholly theoretical, and, so far, unsatisfactory;—because the theories are not brought to the test of experiment. Other publications followed, on the same subject, but I particularly allude to Mr. Ricardo's work, not only as having been the immediate cause of the inquiry which has since taken place, under the authority of the house of commons, but as a syllabus of the Report which has been presented by the Committee: and I refer, directly, also to a pamphlet published by Mr. Mushett, of the Mint, because the tables annexed to it are essentially useful to the inquiry, and are not found, at least not in so convenient a shape, in the Appendix to the Report.

At the commencement of the last session of Parliament, a select Committee of the House of Commons was appointed to "Inquire into the cause of the high price of bullion, and to take into consideration the state of the circu-

lating medium, and of the exchanges between Great Britain and foreign parts." The Committee sat upwards of three months, and, at the latter end of the session, presented a Report, with a copious Appendix of evidence and documents, which supplies, in great measure, the deficiency complained of in Mr. Ricardo's work.

The Report is written in a tone of authority which scorns doubt and spurns at hesitation; it delivers, "as most clear," opinions which the Committee has formed most "decidedly," on topics the most speculative; and treats as vague and unsatisfactory the results of practice and the dictates of experience: a Report so framed, and emanating from such authority, is scarcely tangible by argument; but as omnipotence itself finds its limit in contradiction, so must authority itself submit to the higher authority of fact.

A rigid inquiry into the accuracy of opinions so promulgated, on a subject of vital importance to the national interests, might, under any circumstances, be justified; but there is more than usual cause for inquiry in the present instance, because the opinions of the Committee are altogether at variance with those of the persons selected for examination, and who must be presumed to have been, at least in the

judgement of the Committee, most conversant with the subjects brought before them; there are, therefore, two opposite opinions before Parliament, on the influence, for instance, of the greater or less amount of bank-notes in circulation, on the course of exchange, and the price of bullion; the one theoretical, forming the substance of the Report, the other practical, and pervading the Appendix.

Under these circumstances, what opinion shall the public adopt?—what course is Parliament to hold? "When a theorem is proposed to a mathematician, the first thing he does with it," says Paley, "is to try it on a simple case; if it produce a false result he is sure there must be some error in the demonstration."—The public must proceed in this way with the Report, and submit its theories to the test of fact.

The question referred to the consideration of the Committee, viz. the cause of the high price of bullion, meets no direct answer in the Report;—but the Committee has offered a variety of opinions, and laid down several axia, (the truth of which I am presently to ascertain,) from which they deduce the inference, that the present high price of bullion and low rates of exchange are caused by an excess in the amount, and consequent depreciation in the value

of bank-notes. The nature of the argument, on which this opinion is founded, cannot be more concisely or satisfactorily stated than by direct reference to the passages in the Report, and the corresponding passages in the other publications I have named, applicable to this part of the subject. This notion was first suggested by Mr. Ricardo, who states, "That Parliament, by restricting the Bank from paying in specie, have enabled the conductors of that concern to increase or decrease, at pleasure, the quantity and amount of their notes. (1st Ed. p. 23.) Mr. Mushett says, "There can now exist no possible obstacle to the increase of their notes but what their own prudence suggests." (p. 41.) And the Committee state, expressly, that "The suspension of cash-payments has had the effect of committing into the hands of the Directors of the Bank of England, to be exercised by their sole discretion, the important charge of supplying the country with that quantity of circulating medium, which is exactly proportioned to the wants and occasions of the public." (Rep. p. 24.)

In the exercise of this power the Bank, it is assumed, has not been sufficiently guarded; and the consequence is, according to Mr. Ricardo, "That the paper-currency of this country has long been, and now is, (Dec. 1, 1809,) at a

considerable discount, proceeding from a superabundance of its quantity. Mr. Mushett says: "Since the Bank-Restriction-Bill took place it has been generally supposed, that the excessive quantity of bank-notes in circulation has caused a considerable depreciation in their value:" (p. 40.) and the Committee has formed an opinion "that there is, at present, an excess in the present circulation of this country;" and "that the excess is to be ascribed to the want of a sufficient check and controul in the issues of paper from the Bank of England." (p. 30.)

And as these writers agree in the fact of excess, or superabundance, of the paper-currency of this country, so do they also concur in the sign of its existence: "The sign of this excess and depreciation has been a permanently unfavourable exchange," says Mr. Mushett. "The exchange," in the opinion of Mr. Ricardo, "will form a tolerably accurate criterion, by which we may judge of the debasement of the currency, proceeding either from a clipped coinage or a depreciated paper-money; because, whilst paper can be exchanged for undebased coin, the exchange can never be more above, or more below, par than the expenses of transporting the precious metals:" (p. 18.) and the Committee report to the house their "most clear opinion, that so long as the

suspension of cash-payments is permitted to subsist, the price of Gold Bullion, and the general course of exchange with foreign countries, *taken for any considerable period of time*, form the best general criterion from which any inference can be drawn, as to the sufficiency or excess of paper-currency in circulation," (Rep. page 21,) and this opinion appears to be founded on the principle, which the Committee assumes to be indisputable, "that the difference of exchange, resulting from the state of trade and payments between two countries, is limited by the expense of conveying and insuring the precious metals from one country to the other." (p. 11)

On these points there seems no difference whatever in the three Treatises; the coincidence of opinion, and even of expression, is as close as possible, and the Committee appears to speak the common sentiment of those who consider the paper-currency to be excessive, when they sum up their previously-expressed opinions in these words: "that there is at present an excess in the paper-circulation of this country, of which the most unequivocal symptom is the very high price of Bullion, and, next to that, the low state of the continental exchanges: that this excess is to be ascribed to the want of a sufficient check and controul on the issues of the paper of the

Bank of England, and originally to the suspension of cash-payments, which removed the natural and true controul." (page 30.)

My purpose is to ascertain the sufficiency of the grounds on which these opinions are founded,—the truth in *point of fact* of the several propositions laid down by the Committee.

1st. That the variations of the exchange with foreign countries can never, for any considerable time, exceed the expense of transporting and insuring the precious metals from one country to the other.

2d. That the price of Gold Bullion can never exceed the mint-price, unless the currency, in which it is paid, is depreciated below the value of gold.

3d. That, so far as any inference is to be drawn from Custom-House returns of exports and imports, the state of the exchanges ought to be peculiarly favourable.

4th. That the Bank, during the restriction, possesses exclusively the power of limiting the circulation of bank-notes.

5th. That the circulation of country bank-notes depends upon, and is proportionate to, the issues from the Bank.

Lastly. That the paper-currency is now excessive, and depreciated in comparison with gold, and that the high price of Bullion and low

rates of exchange are the consequences as well as the sign of such depreciation.

Before I attempt to investigate the truth of these propositions, by reference to the documents with which the Report has furnished me, it may be convenient to ascertain what, on a full admission of all the arguments and reasonings of the Committee, is the extent of the evil they point out, what the present state of the national currency, as resulting from the criterion established in the Report.

There is annexed to Mr. Mushett's pamphlet a table, shewing, 1st, the rate of exchange with Hambro' and Paris, for 50 years past, and how much it has been, in each instance, above or below par.

2d. The price of gold in London, and a comparison of this price with the English standard, or mint price.

3d. The amount of bank-notes in circulation, and the rate of their assumed depreciation, by a comparison with the price of gold.

On reference to these tables it appears that, for about two years antecedently to the suspension of cash-payments, the exchange had been, in some degree, unfavourable to England; that, at the immediate period of the suspension, and for two years and a half succeeding that measure, from Nov. 1796 to July 1799, the exchange was very greatly in favour of England, and gold

at the mint-price. That, between the end of 1799 and 1802, the exchange was against London and the price of gold considerably above the mint-price. That, from the end of 1802 to the end of 18 8, the exchanges were for six years considerably in favour of Great Britain, and the price of gold stationary, at 2½ per cent. above the mint price.* Subsequently to the end of 1808 the exchanges have fallen, the price of gold has risen as before stated, and these circumstances have led to the investigation of the Committee. It results from this reference, that, admitting the criterion established by the Report, as the test of an excess of paper, the grievance complained of is of recent date, that it had no existence for six years previously to 1809, and that the circulation of bank-notes during this period did not therefore exceed the natural wants of the public and was not excessive. This inference appears undeniable. I do not mean to infer that 17 or 18 millions of bank-notes then in circulation may not be too much, under other circumstances; but I conclude, that Mr. Ricardo's opinion, that the

* It may be said, that even then the price of gold was above the mint-price; but it appears by the questions of the Committee and Mr. Goldsmid's evidence that the supply of gold was very small, and the price of £4 per oz. was fixed by the Bank of England, whence "the demand exceeded all competition."

paper-currency *had long been excessive,* when he wrote in 1809, was incorrect, that Mr. Mushett had not referred to his tables when he stated that the sign of this excess has been a permanently unfavourable exchange.

It results equally from this theory, that during the year 1809, and subsequently, the circulation of paper has been excessive, because both the exchanges and price of bullion indicate such excess. During a part of this period, from July to Nov. 1809, the loss on the exchange amounted to nearly 20 per cent. We learn, however, from the Report, that, in the spring of 1810, the exchanges experienced a gradual improvement, that on Hamburgh rose from 28, the lowest rate, to 31, that on Amsterdam from 30 to 33 : 5, that on Paris from 19 ; 6 to 21 : 11. "The exchange on Hamburgh appearing (as stated in the Report) to be 9 per cent. that on Amsterdam 7 per cent. and that on Paris 14 per cent. against this country."—These calculations do not exactly agree with those of Mr. Mushett; admitting, however, the correctness of the statement by the Committee, a small proportion only of the loss thus experienced on the exchanges with the continent is to be ascribed, according to the opinion of the Committee, to the depreciation of our currency.

It is a principle laid down by the Committee, and which they consider to have been long settled and understood, "That the difference of exchange resulting from the state of trade and payments between two countries is limited by the expense of conveying and insuring the precious metals from one country to the other." It will be equally admitted that, in the event of an unfavourable balance of payments, the depression of the exchange must necessarily attain this limit, before the balance can be adjusted by the exportation of gold.

The Committee endeavoured to ascertain the extent of this limit, that is the expense of sending bullion abroad, under present circumstances, and they come to the conclusion. "that this expense in the last half of the last year (1809) did not exceed 7 per cent.—and they observe that an expense to this extent does not afford an adequate explanation of a fall in the exchanges so great as from 16 to 20 per cent. below par. "The increased cost," they add, "of such remittance would explain, at those moments when the risk was greatest, a fall of something more than 7 per cent. in the exchange with Hamburgh and Holland, and a fall still greater perhaps in the exchange with Paris; but the rest of the fall, which has

actually taken place, remains to be explained in some other manner."

The expense of sending gold abroad was in no degree less in the spring of 1810 than in the autumn of 1809; and it follows, therefore, that, according to the statements of the committee, the loss on the Dutch exchange, in the months of March and April last, was exactly equal to the expense of sending gold as a remittance; on that on Hambrugh 2 per cent. greater; and that, on the exchange with Paris, it was undefined, because the expense of sending gold to Paris was not ascertained. According to Mr. Mushett's calculations of the par between London and Paris, the loss on the French exchange was 2 per cent. more than the expense of sending gold to Holland:—As this was the state of things for some months prior to the date of the Report, and at the period when it was presented, it will, perhaps, with some, be a subject of regret that the passage referring to the extreme of the lowest depression of the exchange was not expunged, as the event had proved it to be one of those temporary effects which the Committee had previously determined to disregard.

Whether, however, the difference, which remains to be accounted for in some other manner

be 2 per cent. or 11 per cent. it is not necessary to travel out of the Report to assign a cause for it, without recurring to depreciation :—" Referring to the evidence of a continental merchant, on whose opinion the Committee appears to place much reliance, they state :—" That political events, operating upon the state of trade, may often have contributed as well to the rise as to the fall of the exchange; and, in particular, that the first remarkable *depression, in* 1809, *is to be ascribed,* as has been stated in the evidence already quoted, *to commercial events,* arising out of the occupation of the north of Germany by the troops of the French Emperor; the evil has been, that the exchange, when fallen, has not had the full means of recovery, under the existing system :"—these means are explained to be, "the clandestine transmission of guineas, which improved it for the moment by serving as a remittance."

Thus, then, it appears, that, on a full admission of all the principles adopted by the Committee, and of their application to the present case, the foreign exchanges were, at the time when the Report was presented, and for three months prior thereto, about 2 per cent. below the natural limit of depression; that this excess was the emnant of a much greater

depression, occasioned by political events in the preceding year, during a period in which the means of exporting English gold coin, at the mint-price, in payment of debts, were withheld.—When it is stated that, for 6 months since the date of the Report, the exchanges have continued at or about the same standard, or rather higher, and that at present the loss on the exchange is barely equal to the expense and risk of transporting gold, it will probably be thought that the question, as a practical question of national importance, is altogether at rest.—That there is no necessity, at least, for the adoption of hasty remedies, even though the correctness of the general reasoning of the Committee should, on full inquiry, be conceded. But I do not admit its correctness: I do not believe that the fall of the exchange and the encreased price of bullion indicate excess and consequent depreciation of our paper-currency; and I doubt it, because the premises, on which this opinion is founded, are unsound, and the conclusions contrary to experience.

The basis of the argument of the Committee, to the examination of which I now proceed, is that which I have shortly stated in page 8 as the first proposition, viz. "that the difference of exchange, resulting from the state of trade and payments between two countries is limited

by the expense of conveying and insuring the precious metals from one country to the other; at least, that it cannot, for any considerable time, exceed that limit:" (Rep. p. 11.) therefore, all excess of depression on the exchange, beyond the expense of conveyance, is to be attributed to depreciation of our currency. This proposition is so fully admitted, and so broadly stated, in each of the publications to which I have alluded, that it is not even guarded by the condition, that the country, by which the balance of payments is due, shall possess bullion or specie sufficient to liquidate it; but, boldly as the principle is asserted, and strongly as reason appears to sanction it, I insist that it is not generally true, and that it is at variance with fact.

It is stated, in the Report, from the evidence before the Committee of 1797, that the average expense, at that time, of conveying specie from London to Hamburgh, was 3½ per cent. yet, on reference to the course of exchange with Hamburgh, in Mr. Mushett's tables, it appears that, from the beginning of 1797 to the middle of 1799, the exchange was continually in favour of Great Britain more than twice the expense of conveying gold;— and, for eighteen months of that time, 11 to 12 per cent. in our favour, or from 7 to

8 per cent. beyond such expense: nor does this profit appear to have occasioned any considerable importation of gold, which, during this period, rose to the mint-price, although, for several years before, it had, nominally at least, been below it.

In the years 1764 to 1768, prior to the recoinage, when the imperfect state of the coins occasioned gold to be 2 to 3 per cent. above the mint-price, the exchange with Paris was 8 to 9 per cent. against London,—at the same time the exchange with Hamburgh was, during the whole period, 2 to 6 per cent. in favour of London; here appears, then, a profit of 12 to 14 per cent. for the expense, in time of peace, of paying the debt to Paris with gold from Hamburgh, which must have exceeded the fact by at least 8 or 10 per cent. and it is worthy of remark, that the average exchange with Hamburgh, for the years 1766 and 1767, of 5 per cent. in favour of London, added to 2 per cent. the price of gold above the mint-price, constituted a premium of 7 per cent. on the importation of gold into England, or, deducting $1\frac{1}{2}$ per cent. for expenses in time of peace, a net profit of 5 per cent. yet the exchange was not rectified thereby. Again, in 1775, 6, and 7, after the recoinage, we find the exchange

on Paris 5, 6, 7, and 8, per cent. against London in time of peace, when half the amount would have conveyed gold to Paris, and one-fourth have paid the debts of Paris at Amsterdam.—In the years 1781, 2, and 3, being years of war, the exchange was constantly from 7 to 9 per cent. in favour of Paris; and, during this period, gold was the common circulation of this country, and the Bank was compelled to provide it for the public at the mint-price.—It has been already shewn how little effect the precious metals produced towards equalising the exchange with Hamburgh, during the years 1797 and 1798; and another instance may be adduced in the years 1804 and 1805, when the Paris exchange varied from 7 to 9 per cent. in favour of London.

In every case here cited the fluctuations of the exchanges greatly exceeded the expense of conveying gold from one country to the other, and to a much greater degree in most of them than in the present instance; the circumstances of the times were, it will readily be admitted, more favourable to intercourse, on those occasions, than they now are, and the state of metallic circulation afforded facilities not now experienced here. Yet, under all these advantages, the principle assumed by the Committee was not operative, and cannot

therefore be admitted as a solid foundation for the superstructure of excess and depreciation, attempted to be raised upon it.—If it be said that probably, on these several occasions, gold was proportionately dear on the spot to which the exchange was unfavourable, I admit the fact as probable, because I am without evidence respecting it; but, if the price of gold abroad enters necessarily into the calculation of the "natural limit" of depression of the exchange, then the course of foreign exchanges, rectified by the expense of sending gold abroad, does not form a just criterion of the adequacy or excess of our circulating medium.—

There appears also a defect in the application of the principle to the particular case under the consideration of the Committee.—

It is admitted in the Report "that the first remarkable depression of the exchange, in 1809, is to be ascribed to commercial events, arising out of the occupation of the north of Germany by the troops of the French emperor."—(p. 16.) If a depression equal to three times the cost of sending gold be admitted as the effect of any other cause than depreciation of currency, it can be considered as not overturning the principle of limitation, only by viewing the fall in question as an "occasional depression;"—

but, if taken as an occasional depression only, (as the event indeed proved,) how can it be brought forward as evidence of an excess of currency, the Committee having established "a considerable duration" as a necessary condition to render the course of exchange a just criterion?

The circumstances I have stated, respecting the exchanges on former occasions, were not perhaps brought under the notice of the Committee; but they had two facts prominently before them, bearing immediately upon the question, of which they have taken no notice.—Mr. Greffulhe offered this problem to the Committee: "During the depreciation of English currency on the continent of Europe, a premium was paid for it in America in hard dollars." The balance of payments may be against us with one country, and in our favour with another; and, if the exchange is regulated by this balance, it will exhibit corresponding appearances, particularly where those countries are remote. But, if the currency be depreciated below the value of gold, it is so *positively*, not relatively, and all exchanges must equally feel the influence of the depreciation.

The other fact I learn from the paper 65, in the Appendix to the Report; between January 1809 and May 1810, the Swedish exchange

rose (against Sweden) 25 per cent. and was at that date 24 per cent. in favour of London.—What are the circumstances of Swedish currency? We collect them incidentally from the examination of Mr. ———a continental merchant (p. 75)—" Have you ever known the exchange to fall to the extent of 12 to 15 per cent. in any part of Europe, in which it was computed in coin, containing a fixed quantity of gold or silver, or in paper, or bank-money, exchanged at a fixed agio either for such gold or silver, or for gold or silver bullion of definite amount."—Ans. " No, never; *except in countries where the export of their currency has been effectually prohibited, such as Sweden;* I do not recollect any other country where paper, resting upon the foundation of coin, the latter is effectually prohibited from being exported."—Q. How is that prohibition made effectual in Sweden? " By the bank not issuing specie to any amount, when the exchange is depreciated".—Sweden was greatly indebted to England, for goods sent thither for the supply of the continent and north of Europe.—Gold could not be exported, and therefore the premium on remittance by bills was great; this seems a very natural effect, and one which will not surprize any one; yet to account for an effect exactly similar, under similar circumstances, we are required to admit that our paper-currency is depreciated,

whilst the Americans were giving a premium for it in hard dollars. It will be recollected that the question now agitated is not whether any inconvenience attends the substitution of paper for gold, as the medium of circulation, but whether that paper be now excessive in amount, and depreciated in value.—As the result of the facts I have adduced, I assume that from the state of the foreign exchanges no such inference can justly be drawn.*

* The terms favourable and unfavourable applied to the exchange are, perhaps, correct, as indicating a corresponding balance of trade and payments; but a favourable exchange is frequently a very unfavourable circumstance, and *vice versâ*. A British merchant sent goods to Sweden for sale early in 1809; they were valued at 1000 rix dollars; the exchange being at four rix dollars per pound sterling, they would then have produced, by remittance, £250. They were actually sold for 1000 rix dollars in the beginning of 1810; and, remitted for at the exchange of five, produced £200. The funds for the bill were provided by a consignment of goods from Sweden; and England, therefore, received goods worth £200 in payment of the original export instead of £250, which it would have received had the exchange not become so favourable. In a more familiar instance, England benefits by an unfavourable exchange. When the Dutch had large sums in our funds, the dividends were remitted periodically, and a real or supposed demand for bills on Holland, at those periods, occasioned a fall on the exchange. Thirty-three shillings Flemish, for instance, were given in exchange for a pound sterling, instead of 34*s.* The exchange was, therefore, less in favour of London. Yet it is

The Committee considers, however, the price of gold as the most certain sign of excess and depreciation.

"An ounce of standard gold-bullion will not fetch more in our market than £3 : 17 : 10½, unless £3 : 17 : 10½ in our actual currency is equivalent to less than an ounce of gold;" yet gold-bullion does bear in London a higher price than this standard or mint-price; whence a depreciation of the paper is inferred, which Mr. Mushett estimates to have amounted, in September, 1809, to £13 : 7 : 0 per cent. Whilst sanctioning this old, and in the abstract incontrovertible, theory, and, as applying it to the present case, the Committee do not appear to have recollected, that, having admitted an adequate cause for the fall of the exchange, from commercial and political events, the increased price of gold-bullion to any extent, within the equivalent of the depression, is only a consequence; and the documents in the Appendix shew that the price of gold-bullion did not at any period of the depression of the exchange exceed the price which it was worth as a remittance, compared with its value in foreign markets. From the calculations furnished by Mr.

evident that on every 33 pigs of lead, blocks of tin, or ounces of gold, sent to Holland, to provide funds for payment of the dividends, one pig, block, or ounce, was saved to this country.

Greffulhe to the Committee, (Appendix 58,) it appears, that, in the spring of 1810, an ounce of gold, of English standard weight, was worth, at Hamburgh, £4 : 17 : 0 sterling, the price being 101, and the exchange 29*s.* At this time the extreme price of bullion, in London, was £4 : 12 : 0, or 5½ per cent. below the price at Hamburgh. At the same time the price of gold, at Paris, exceeded its value here by 8½ per cent. and, at Amsterdam, by 7 per cent. at the then current exchanges. The expense of conveyance to Holland being then about 7 per cent. gold would not then pay for importation, neither would it be exported, merely with a view to profit, though it would be exported, and was in fact exported, in preference to bills in abundance of instances, which might readily have been ascertained by the Committee. On reference to the paper, No. 60, in the Appendix to the Report, it appears, that, in June, July, August, and September, 1809, the price of gold, at Hamburgh, was 104½, and the exchange 28*s.* if at 101, and 29*s.* there was a profit on the export of gold from hence to Hamburgh of 5½ per cent. it follows that at 104½, and 28*s.* there was a profit of 12½; or, deducting the expenses of conveyance, that gold, if bought here at £4 : 12 : 0 per ounce, was a cheaper remittance by 5½ per cent. than

a bill at the current exchange. This same document, No. 60, shews also, that within twelve months the price of gold at Hamburgh varied from 100½ to 104½, the exchange with Great Britain in both instances, and during the intervening period of eight or nine months, being at 28*s.* We find the price of gold continuing, in other instances, at 104, whilst the exchange rose from 28*s.* to 29*s.* 11*d.* even to 30*s.* 8*d.* variations of 4 or 5 per cent. in the cost of a remittance in gold, which remained nearly stationary in its price here during the whole period. These fluctuations seem to militate against the intimacy of connexion which the Committee assumes to exist between the course of exchange and the price of gold, in places where the currency is gold or convertible into it. And the facts stated, respecting the actual price of bullion in the foreign markets, satisfactorily meet the observations of the Committee, implying that they discover no advance of the price of gold in those markets analogous to that which has obtained here. Refering to Mr. Greffulhe's documents, No. 58, they observe, indeed, that it is important, "as it shews that "the actual prices of gold in the foreign markets are jsut so much lower than its market-price here as the difference of exchange amounts to." Mr. Greffulhe's observations

on this paper convey a different impression: "One of the papers I have delivered in shews (he says) the foreign prices of gold reduced into sterling money at the present low rates of exchange, *and the excess above the market-price here may be considered as about equal to the charges of conveyance*," (page 3); nor is this excess of price at Hamburgh merely relative, and arising out of the exchange. It appears by the paper, 56, in the Appendix, that the prices of gold at Hamburgh have, in the two last years, risen considerably, as the following extract shews "highest and lowest prices of gold at Hamburgh, in the years 1806-7, and 1808-9.

		lowest.	highest.		lowest.	highest.
At Hamburgh,	1806,	98	103	1808,	102	106
	1807,	98¾	101½	1809,	101¾	104½"

The price of gold, at Hamburgh, was, therefore, between three and four per cent. higher, on the average of the years 1808 and 9, than in the two years which preceded them. I observe, also, that the fluctuations in the price of gold, at Hamburgh, where, as the Report informs us, "Silver is not only the measure of all exchangeable value, but is rendered an invariable (or unvarying) measure," have, within a period of two years, amounted to no less than eight per cent. But, it will be said, gold at Ham-

burgh is a commodity; here it is the standard of value; and an ounce of gold cannot sell for more than an ounce of gold of equal quality, unless the medium of payment is of less value than an ounce of gold.

Mr. Mushett is of opinion, "that the price of gold can in reality, at no time, be above its mint-price, and that its being so at present in appearance is caused by the excessive quantity of bank-notes in circulation."

This is the strong hold of the theorists, and I shall not attack it otherwise than by fact.—The theory may, however, be correct, and its application erroneous.

In the Report of the Committee, I find this statement, page 4. "Upon referring, for a course of years, to the tables, which are published for the use of the merchants, such as Lloyd's List and Wettenhall's Course of Exchange, your Committee have found, that, from the middle of the year 1773, when the reformation of the coin took place, till about the middle of the year 1799, two years after the suspension of cash-payments by the Bank, the market-price of *standard gold in bars* remained steadily uniform at the price of £3 : 17 : 6, being, with the small allowance for loss by detention at the mint, equal to the mint-price of £3 : 17 : 10½, with the exception of one year,

from May, 1783, to May, 1784, when it was occasionally at £3 : 18 : 0; during the same period, it is to be observed, the price of *Portugal gold coin* was occasionally as high as £4 : 2 : 0; and your Committee also observe, that it was stated to the Lord's Committee, in 1797, by Mr. Abraham Newland, that the Bank *had been frequently obliged to buy gold higher than the mint-price*, and, upon one occasion, gave as much for a small quantity, which their agent procured in Portugal, as £4 : 8 : 0. But your Committee find, that the price of standard gold, in bars, was never, for any length of time, materially above the mint-price during the whole period of twenty-four years, which elapsed from the reformation of the gold-coin to the suspension of the cash-payments at the Bank."

I submit the whole passage to my readers, that I may not risk misrepresenting its meaning, which I profess not to understand. Do the Committee mean, that the value of standard gold in the market was only £3 : 17 : 10½, or £3 : 18 : 0, when the Portugal gold, from which it was made, was worth £4 : 2 : 0? To me it appears evident, that the sentence respecting Bank purchases, beginning "during the same period," and ending at "£4 : 8 : 0," was introduced after the report was framed,

and its operation on the statement not exactly perceived.

It appears also to have escaped the notice of the Committee, that, in 1795, the directors of the Bank stated to Mr. Pitt, that the price of gold was £4 : 3 : 0 and £4 : 4 : 0 per ounce; and that their guineas being to be purchased at £3 : 17 : 10½ pointed out clearly the ground of the fears of the Bank of a continued demand for them, (see Report of Lord's Committee anno 1797.)

The fair inference from the information gained from Mr. Newland, and from the Bank directors, seems to be this: that, although it appears, by the printed lists, that, during the whole period between the recoinage and suspension of cash-payments, standard gold never exceeded the mint-price more than the difference between £3 : 17 : 10½ and £3 : 18 : 0 per ounce, yet that, in fact, the foreign gold coin from which such standard gold was made did sell for £4 : 2 : 0 and £4 : 4 : 0. That the Bank was in the habit of paying these prices, and, on one occasion, paid £4 : 8 : 0, or 13 per cent. above the mint-price. During this period bank-notes were at once convertible into gold, and the coin was in the most perfect state. — The real question before us is, not what was the price of that gold which the

Bank was compelled to deliver to the public on demand at £3 : 17 : 10½, but what was the price at which gold could be elsewhere obtained? £4 : 3 : 0.—£4 : 4 : 0, say the Bank directors. Aye, £4 : 8 : 0, says Mr. Newland. An ounce of standard gold did then sell for more than an ounce of standard gold. This, says Mr. Mushett, is impossible.—"*I* do not say it is possible; I only say it is true."—

The Committee is not, however, quite so peremptory; they have discovered, that standard gold, in bullion, may be worth 5½ per cent. more than gold in British coin; because the one, being an exportable commodity and the other not so, may be worth 5½ per cent. more to him who has occasion to send it abroad; and Mr. Goldsmid had told them the fact was so.—This admission is like the letting out of water; it must have its way, you cannot stop it.—Be it granted, that the rubbing of guineas deteriorates English gold in coin, as compared with gold in bars, 1 per cent. That the conscience of the exporter, and the value of a false oath, are correctly estimated by the Committee at 4½ per cent. (page 6,) which two circumstances account for the increased price of 3 or 4*s.* an ounce, which foreign gold bears over that produced from British coin. What occasions the difference in value?—the demand

for exportation. May not this demand increase in its proportion to the supply of exportable gold; may not consciences grow more tender, as custom-house officers become more active?—The principle being admitted, that foreign gold has an extrinsic value beyond English gold, how can the Committee limit its operation? and say, "that the highest amount of the *depression of the coin** which can take place when the Bank pays in gold, is 5½ per cent. (page 6, 7.)" The statement is erroneous as a fact, for £4 : 3 : 0 or £4 : 4 : 0 per ounce, which the Bank paid for foreign gold in 1795, is, on average, an advance on the mint-price of 7¾ per cent. and the extreme case of £4 : 8 : 0 is an advance of 12 or 13 per cent. But, granted that the fact were as stated, English gold is not now to be obtained (none being issued) at the mint-price; who can then pretend to limit the value of gold as an exportable, or even as a consumable, commodity? Where is the point of contact between English and foreign gold, upon which the comparison of their respective values shall be established? If the demand for foreign gold was at any time very great, and the melting and exportation of guineas, howe-

* This is a very singular expression to denote a high market-price of bullion, and will point out to an attentive reader how extremely theoretical the arguments of the Report are.

ver abundant, by any means effectually prevented, foreign gold might double its price in English gold, and yet the intrinsic value of guineas remain undiminished. How far any circumstances, in our present situations, run parallel with this supposition will be seen hereafter.

The Committee hesitate, however, to admit either a scarcity of gold or an unusual demand for it, and, on these points, few direct facts are to be found in the Appendix. Mr. Goldsmid stated that his sales of gold in the 15 months preceeding his examination were greater than on an average of years; that large quantities had been purchased at the high price by individuals; that none, he believed, had been received within that period from the continent of Europe; and that gold has been of late sent to the Brazils, instead of coming from thence as formerly through Lisbon.

It appears, by the returns from the bullion-office at the Bank, Nos. 7 and 8, in the Appendix to the Report, that the total amount of gold Bullion imported and deposited in the bullion-office in 1809 amounted in value to only £520,225
That, during the same period, the quantity of gold delivered out of the bullion-office amounted in value to £805,568
of which only £592 was not exportable.

The amount of the importation is therefore such as, when compared with the amount of exports and imports, and that of the circulating medium, to justify the assumption of comparative scarcity; and the excess of delivery beyond the importation is sufficient evidence of unusual demand. The point of view in which these facts are important is that which places the amount of gold imported or delivered in line of comparison with the amount of paper-currency, supposed to be depreciated on the evidence of the encreased price of bullion. The advance of 12 *s.* per oz. on the total quantity of gold delivered in one year, about 200,000 ounces, amounts to 120 or 130,000*l.*; and this is assumed as an unequivocal symptom of a depreciation of 12 or 13 per cent. on 30 or 40 millions of paper, the probable amount of our paper-currency.— Yet this account of gold, trifling as it is, exceeds, as Mr. Goldsmid states, the average sales of preceding years. We may soon expect to be told, that the value of bank-notes has increased, because the paper, on which they are made, is somewhat dearer than heretofore.

In confirmation of their opinion, that the price of gold has not been influenced by natural causes, the Committee observe, "that the rise in the market-price of silver in this country, *which has nearly corresponded to that of the* market-price

of gold, cannot, in any degree, be ascribed to a scarcity of silver: the importations of silver have of late been unusually large."—This statement is unpardonably erroneous; for the fact which refutes it had drawn the attention of the Committee.

In Mr. Merle's evidence, I find it stated, that silver is about 5 pence per ounce above the coinage-price.

Question by the Committee.—That is about 9 per cent. is it not?—*Answer.*—I suppose thereabouts. *Question.*—How do you account for the circumstance of gold being 16 per cent. above its coinage-price, and silver only 9 per cent.—" I cannot answer that question." Mr. Merle says also, that he never recollects silver so low as the standard price; in fact it never has been so low since the days of King William. A very low average, taken before the suspension, would fix the price of standard silver at 5*s.* 3½*d.* or three halfpence above the mint-price: deducting this amount from the increased price of 5*d.* per oz. there remains an advance on the present occasion of 3½*d.* per oz. or 5$\frac{4}{7}$ per cent.—whilst the advance on gold is stated at 16 per cent.—The rise on the market-price of silver has *not*, therefore, " nearly corresponded" with the rise in the market price of gold, and the ample supply, noticed by the Committee, has had the natural effect of restraining the price;

and the fact adds strength to the opinion, that the price of gold has been augmented by its scarcity.

I will refer my reader to one fact more on this subject. The paper No. 1, in the Appendix, shews the amount of gold exported for several years past, so far as the Custom-House have knowledge of it.—The account stands thus:

Year ending first February					
1805	1806	1807	1808	1809	1810
None	17,007	3,019	13,008	14,716	69,962 oz.

I have now submitted to my readers all the facts and figures contained in the Report and its Appendix, which appear to me to bear directly on the propositions respecting the exchanges and price of bullion, on which the Committee formed their opinion of the excess and depreciation of our paper-currency. It will not escape notice that, admitting their theoretical accuracy, they involve exceptions to the amount of 12 or 13 per cent. on the admission of the Committee, when applied to practice.

But the accuracy of the theory is one question, the correctness of its application is another, and on this point the public may reasonably entertain jealously, because the same theory, in the hands of the ablest men this country has known, has been once already erroneously applied, and, by such application,

has subjected the nation to disappointment and inconvenience, under which we still labour, and to an unprofitable expense of nearly three millions sterling.—A theory brought forward by Mr. Locke, as counsel to the chancellor of the exchequer, and acted upon by Sir Issac Newton, as warden of the mint, might challenge the world for higher sanction.—Yet the recoinage of silver, in the reign of King William, directed by these great men, was made on erroneous principles and failed in its object. Mr. Locke assumed it as an incontrovertible principle that "an ounce of silver, whether in coin or in bullion, is and eternally will be of equal value to any other ounce of silver, under what stamp or denomination soever," and he inferred from thence that, whenever the silver coins (then grievously depreciated) were restored to their due weight, the price of silver bullion would fall to the mint-price.—At this time, silver was the common money of account, as gold is now; and Mr Locke seems to have considered that it was naturally or necessarily so.—Men of less powers but more practical information foretold to Mr Locke the evils which would follow from the unlimited adoption of his theory. Sir Richard Temple,* endeavoured, in vain,

* See a tract in Lord Somers' collection, dated 1696, by Sir Richard Temple.

to point out the distinction between coin and bullion, and to convince Mr. Locke that the value of silver bullion was become greater than the standard or mint-price. He was not listened to; (he might perhaps have erred too much on the other side, which numbers were ready to do,) and the recoinage took place at the old standard of 5s. 2d. per ounce.—As the new money came out, it disappeared: between seven and eight millions were coined, yet little was found in circulation; and, within 17 years, Sir Issac Newton reported to the treasury, that, "should silver become a little scarcer, people would in a little time refuse to make payments in silver without a premium," * the standard being taken below the value of bullion, the coins were melted down as fast as they were issued. The expense of this recoinage was between £2,500,000 and £2,600,000, and it would probably cost as much more at present to remedy the defect. It will probably therefore

* Earl of Liverpool's letter to the king.—As Lord Liverpool could not obtain, from the public offices, any account of the expense of this recoinage, I refer those who take an interest in such subjects to an official statement of the public income and expenditure from the revolution to the quarter-day following the death of King William, preserved in Lord Somers' collection, vol. 12, whence it appears that the deficiency exclusive of the expense was £2,415,140.

be admitted as possible, that an incontrovertible theory may, even in the hands of the ablest men, be erroneously applied.

I will next call the attention of my readers to that part of the Report which relates to the balance of trade and payments: The Committee is of opinion, that the favourable balances of the two former years ought to render the exchanges in the present year peculiarly favourable; but, observing how entirely the present depression of the *exchange with Europe* is referred by *many* persons (being indeed all those who were examined) to the great excess of our imports above our exports, they called for an account of *the actual value* of those for the last five years: what they called for they received; but, by a most unaccountable omission, they have never referred to it, and appear to have formed their opinion upon documents altogether irrelevant to the subject before them.

In the body of the Report, pages 12 and 13, are two statements of exports and imports for five years preceding 1810; from the first of which it appears, that the balance of the *actual value* of exports and imports *to all parts of the world* in 1809 was £14,834,000: by the second, it is shewn that the balance in favour of Great Britain on its trade, with

the *continent of Europe alone,* computed *in official value,* for the year 1809, was £14,170,758, to which latter statement the Committee adds this observation. "The balances with Europe alone, in favour of Great Britain, as exhibited in this imperfect statement, are not far from corresponding with the general and more accurate balances before given. *The favourable balance of* 1809, *with Europe alone, computed according to the actual value, would be much more considerable than the value of the same year in the former general statement,*" *that is much more than* £14,834,000: we will suppose, in even numbers, 15 millions. Now this assertion involves an actual error of half its object, for it appears, by the papers 75 and 76 in the Appendix, being accounts of official and *real values* of exports and imports to the continent of Europe, that the amount of the *actual* value of exports in 1809 was £27,109,337

of the imports 19,821,601

leaving the balance in favour only £7,368,736

If the average of the two years 1809 and 1810 were taken, the balance would be £6,200,000, being a difference on the two years of £8,600,000; or, on the single year to which the observation, though not the reasoning,

of the Committee was confined, of £7,500,000, but this is not by any means the extent to which the impression conveyed by the observation of the Committee is erroneous; the sin of omission greatly exceeds in this instance the positive fault.—These Custom-House documents are defective, the Committee observe, because they do not include any account of freight paid to foreigners, at this time peculiarly large, or of the sums received from them for the employment of British shipping. They leave out of consideration interest on capital on either side; the pecuniary transactions between the governments of Great Britain and Ireland;—contraband trade, and the imports and export of bullion; also the important articles of bills drawn on government for naval, military, and other foreign, expenses.

A Committee, appointed to inquire, might have been expected to endeavour at least to ascertain the extent and operation on the balance of these several items of exception; but they dismiss the subject with a regret, that there has been some difficulty and delay in executing an order for the account of the government bills. I have thought it right to be more inquisitive, and am enabled, from the documents in the Appendix, and where these are deficient from accounts obtained from the

public offices, to exhibit the following statement of the foreign expenses of government.

Amount of bills drawn on the Treasury, between Dec. 1808, and Dec. 1809, (Army Extraordinaries,) Appendix, 70, A 1 . . . . £	4,162,190
Deduct bills drawn from the West Indies, Africa, and America	903,366
Amount affecting the European balance . . . . £	3,258,824
The specie and bullion exported by the paymasters-general amounted, in 1808 and 1809, to upwards of five millions, of which, in 1809, (Appendix, 79.)	1,540,000

In addition to these sums, and of the same nature, are bills drawn on the commissary-in-chief . £	328,767
On the Pay-Office, (ordinary of the army,) . .	1,793,778
On the Victualling-Office	897,095
On the Navy-Board . . .	672,820
On the Transport-Board .	295,705
On the Board of Ordnance	212,753
	4,200,918

The accounts I have obtained do not distinguish European from other

services, admitting a deduction in equal proportion to that on the extraordinaries, which is ascertained, about . .	900,000	
Leaves the amount affecting the European balance		3,300,918
In estimating the neutral freight, I will suppose the amount paid by foreigners to British ships, in 1809, equal to that paid by Great Britain to neutrals for corn,* wine, and brandy, from France, and for the intercourse between Heligoland and the continent, and confine the deduction to the neutral freight in the Baltic trade alone. I have sufficient grounds for estimating this trade, in 1809, "at 200,000 tons and upwards, the rate of freight £20 per ton and two-thirds neutral," hence arises a debt of		2,600,000
		£10,699,732

This sum exceeds by three millions the balance arising on British trade with the conti-

* The importation of corn in six months exceeded 600,000 quarters

nent in 1809, supposing the whole amount of our exports to have been paid for within the year. This, it appears by the evidence, was not the fact. Nor can the deficiency have been made good (according to the idea of the Committee) by balances due from former years; for, by reference to the same documents, Nos. 75, 76, we learn that, in 1808, the balance in our favour was only five millions, subject to deductions of a like nature,* and that, in 1807, it was two millions against us, without reference to them, the real value of imports from the continent of Europe having

been	£ 17,442,755
and the value of exports, only . .	15,420,514
Balance against us,	£ 2,022,241

Nor does the preceding statement adequately represent the amount of our foreign payments. The pay of officers on foreign service and in garrisons is, for the most part, received by, and drawn from, their respective agents. The money transactions with Ireland are not noticed, the first feature of which is the loan of 1½ millions, raised in this country for the service of that; neither is any deduction made for that

* In 1808, the Treasury-bills for European services amounted to . . . . 1½ millions, and the exportations of specie by the paymasters 3½ ditto. These two items alone absorbing the whole balance.

proportion of our exports, which being the produce of foreign colonies in our possession belong to residents abroad, or, if sold in England, constitutes a debt to the Dane or Hollander. The interest due to foreigners, for money in our funds, is also left out of the account; but, taken as it stands, the result is, that from the estimated favourable balance of fifteen millions, as assumed by the Committee, are to be deducted, first, the error in point of fact, £ 7,500,000 and next, the account of the items of foreign service, &c. on the principles established in the Report . . 10,700,000

constituting a real difference affecting the argument respecting the course of exchange of . . . . . £ 18,200,000

I need not solicit attention to the result of this inquiry into the accuracy of the opinion promulgated in the Report, viz. that the state of the exchanges ought, during the present year, to be peculiarly favourable, but I offer one observation to the serious consideration of the public.

The usual cause of variations in the foreign exchanges and price of bullion being the fluctuations in the balance of payments, due to or by Great Britain, the real object of the appointment of the Committee was to ascertain

whether the same or any other cause operated in the instance referred to them. The chief object of investigation would naturally be, therefore, the actual state of trade and payments; and the reader of the Report presumes, that the facts stated, and the inferences drawn, are deduced from every procurable document, tending to illustrate this leading point of inquiry. Instead of this, the Committee has, it appears, supposed and assumed the fact on which the whole question turns, without waiting for the means of information, (for Mr. Irving's papers 75 and 76 are dated on 1st of June, and the Report was presented on the 8th) or making use of it when in their possession.

The Report states loosely, that this favourable balance of 15 millions should be subjected to some rectifications, without ascertaining what their effect would be; and, owing to this haste, conveys to parliament this most erroneous impression, that our resources and means of foreign expenditure are still great; instead of apprising them of a fact which would, I apprehend, have been new, and perhaps not very acceptable to the public, that, in 1807, the whole of our foreign expenditure, whatever it was, was an addition to a debt to the continent of Europe of two millions sterling; that, in 1808, the total of the foreign expenditure for the ordinary

of the army abroad, of Bills on the Navy, Victualling, Transport, and Ordnance, Boards, was a debt incurred; and that in the last year there was a deficiency of 3 or 4 millions encreased by whatever proportion of 27 millions of exports was not paid for within the year. The evidence of all this was before the Committee, or at its command; had they thought fit to bring it forward, it is probable the public would have deemed the rate of exchange and price of bullion sufficiently accounted for, without engaging in any very vehement controversy, respecting the accuracy of the abstract theories of the Report.

In proportion as our faith in the Report is staggered, in proportion as we feel compelled to receive with caution the opinions of the Committee, will those of the practical men rise in estimation. In defiance of documents and of statements to Parliament on authority of vast favourable balances, it was the declared opinion of every such man before the Committee, that the balance of payments has been against us, and so the fact has proved.

I trust it will not be thought that I treat lightly, much less with any thing like disrespect, the *arguments* contained in the Report, and the publications to which I have alluded. I pass them by, because my sole object is to adduce facts on which others may reason. It

would unquestionably be difficult to deny the abstract truth of many of the theories contained in them; but, if abstractedly true, they are not always applicable. At a time when the absence, at least, if not the scarcity of gold is the ground of complaint, they reason on its operation as a vis mediatrix, as if it still formed the circulating medium, and was every where attainable. They speak of increased exportation from reduced prices as a general consequence, wholly disregarding the operation of embargoes, non-intercourse enactments, licences, orders of council, and Milan decrees, in the particular case. At a moment when we were compelled to receive corn, even from our enemy, without the slightest stipulation in favour of our own manufacturer, and to pay neutrals for bringing it, Mr. Ricardo tells us, that the export of bullion and merchandize, in payment of the corn we may import, resolves itself entirely into a question of interest, and that, if we give coin in exchange for goods, it must be from choice, not necessity. Whilst providing against famine, he tells us, that we should not import more goods than we export, unless we had a redundancy of currency: writing in the end of 1809, Mr. Ricardo thinks it necessary for Mr. Thornton to shew, (in support of his opinion, that a demand for bullion,

and an increased price, might be occasioned by an importation of corn,) "Why an unwillingness should exist in the foreign country to receive our goods in exchange for their corn; and, that if such an unwillingness did exist, we should consent to indulge it."—This equalising system is a very just one, where it meets with no external impediments; but, when applied to practice, it appears to me like the experiment in vacuo, where all friction, all obstruction, being removed, and the power of gravitation alone allowed to operate, the guinea and the feather descend with equal velocities. The fact is undeniably true under the circumstances of the experiment, but it is true only within the limits of an exhausted receiver, and is, therefore, wholly inapplicable to any of the common purposes of life.

The three propositions, to which I have in the preceding pages called the attention of the reader, appear to have been brought forward by the Committee, as well as by the authors on whose theories the Report is founded, to induce the admission of the depreciation of the paper-currency of this country as the necessary consequence of the impossibility of accounting for the depression of the exchanges and the increased price of bullion in any other way;—they may be termed negative arguments. If,

by what has been brought under the notice of the reader, this dilemma is in any degree removed, the positive arguments which remain to be examined are relieved of a weight which oppresses and restricts their free operation in the Report of the Committee.

The Committee is of opinion, that the paper-currency is issued to excess. This opinion is founded on two minor propositions:

1st. That the Bank possesses the power of adding to the amount of their notes in circulation beyond the absolute demand for paper, as a circulating medium.

2nd. That their issues regulate those of the country banks, which are dependant upon and proportionate thereto.

Previously to the year 1797, the affairs of the Bank of England were veiled in mystery; the amount of their notes in circulation was not even conjectured by the best-informed men; and it was deemed a sort of sacrilege to pry into their secrets. At that period many leading facts were made known, and information has since been annually communicated to Parliament of the extent of their issues; much additional light was thrown on the nature of their dealings, by the Finance Committee, in 1807; and it might reasonably have been expected, that all that could, with propriety, be made

public would have been developed on the present occasion. Such expectation, wherever it was entertained, has been greatly disappointed: instead of ascertaining facts which the experience of the Governors and Directors who were examined would have stamped with the seal of authority, the Committee has, generally speaking, called for opinions, and, where these have proved adverse to the theory which it was intended to establish, has been more occupied in refuting them, and proving their absurdity, than in ascertaining on what they were founded.

In the examinations of the Directors of the Bank, inserted in the Appendix, I find but two facts of any importance bearing on the question now under consideration, viz. the power of the Bank to increase at pleasure the circulation of their notes, — the one was wholly disregarded and the other treated as absurd; — both occur in answer to the question; "What is the criterion which enables the Bank to keep the issue of bank-notes within the limit which the occasion of the public requires, and to guard against excess in the circulation of the country?" — This question occurs virtually more than once, and the answer is this; 1st. The paper would revert to us, if there were a redundancy in circulation; 2dly. By discounting only solid paper,

given, as far as we can judge, for real transactions.

It would have been highly interesting to have procured some practical illustration of the first part of the answer, and it was indispensibly necessary to a right understanding of the subject, to have obtained full explanation of the latter.—To the former, the Committee paid very little attention; and they appear to have held the latter extremely cheap; yet this latter criterion seems to be considered as a sort of Bank axiom, and has a sanction which entitles it to more respect than it has received.—To understand this subject aright, it is requisite to analyse, in some degree, the circumstances attending the circulation of bank-paper. Mr. Ricardo has assimilated the Bank of England, during the restriction, so far as relates to the effects of its issues, to a gold-mine, the produce of which, being thrown into circulation, in addition to a circulating medium already sufficient, is an excess; and has the acknowledged effect of depreciating the value of the existing medium, or, in other words, of raising the prices of commodities for which it is usually exchanged.—But Mr. Ricardo has not stated, what is essential to the comparision, *why* it is that the discovery of a gold-

mine would produce this effect. It would produce it, because the proprietors would issue it, for whatever services, without any engagement, to give an equal value for it again to the holders, or any wish, or any means, of calling back and annihilating that which they have issued. By degrees, as the issues increase they exceed the wants of circulation; gold produces no benefit to the holder as gold; he cannot eat it, nor clothe himself with it; to render it useful, he must exchange it either for such things as are immediately useful, or for such as produce revenue. The demand and consequently the prices of commodities and real properties, measured in gold, increases and will continue to increase so long as the mine continues to produce. And this effect will equally follow whether, under the circumstances I have supposed, the issue be gold from a mine or paper from a government-bank. All this I distinctly admit; but, in all this statement, there is not one point of analogy to the issues of the Bank of England.

The principle on which the Bank issues its notes is that of loan. Every note is issued at the requisition of some party, who becomes indebted to the Bank for its amount, and gives security to return this note, or an-

other of equal value, at a fixed and not remote period, paying an interest, proportioned to the time allowed. "The notes of the Bank of England," the Committee observes, "are principally issued in advances to government for "the public service," (anticipations of the taxes and instalments of loans, to be repaid by the public,) and in advances to the merchants upon the discount of their bills."

It is a consequence of this mode of issue that it costs something, namely the interest on the the money borrowed, to take a note out of the Bank. No note is isued in payment of any service, moral or physical, constituting the consideration for it, and there is therefore no analogy between the circumstances of the issues from a gold mine and those from the Bank of England. In the case of an excessive issue of gold beyond the the wants of circulation, the excess is brought to market to be made productive, it grows cheap, and commodities grow dear. In the case of an excess of bank-paper the remedy is more simple: the "surplus," says the late Governor of the Bank, "would revert to us by a diminished application for discounts and advances on government-securities." This part of the subject requires illustration, because it cannot be very generally understood by those who must ultimately decide on the merits of the Report.

The Committee has entered into some detail in the Report, and has annexed some documents in the Appendix, to illustrate the practice which obtains in the transaction of business by the London bankers, and in the money-circulation of the metropolis, but their observations afford a very inadequate view of the subject, and the whole of page 23 must be taken as evidence that, by those who drew the Report, the subject was not perfectly understood.

By the practice of London, strengthened by a resolution of the Bank of England, not to discount any bill unless payable at the house of a regular banker, all the commercial payments of the metropolis, as well as those of the country transacted in London, are made through the agency of a banker. In 19 cases out of 20, where the payment is not to a revenue-board, the business is transacted between two bankers, one on the part of the debtor, the other on the part of the creditor.—It is become an established practice between bankers not to call upon each other for these payments before 4 o'clock; and then mutually to write off or exchange the respective charge which each has upon the other, and to pay the difference only; by which contrivance, so great an economy of bank-notes is effected, that an average of £220,000 of notes is found sufficient, according to the evidence of

the inspector of the clearing-house, to settle the balance of daily transactions to the amount of £4,700,000. Owing to this circumstance the bankers have been enabled to lower, very considerably, their stock of notes, and to place the same productively in bills and others securities. This comparatively unprepared state to answer unforeseen demands has led to other improvements in banking. A great proportion of bankers have now accounts open with the Bank, where, if they take care to hold a sufficiency of good bills, they can always get money at one day's notice; and, as a still farther accommodation, accredited brokers now hourly walk Lombard-street, take the superfluous cash of one banker, and lend it to another, in any sums for any time, a week, a day, or for an indefinite period, to be repaid when called for; nay, so nicely is the scale now adjusted, that a loan of bank-notes before 3 o'clock, repayable by draft at the clearing at four, is no uncommon or unimportant accommodation to the most opulent parties in the money-market.

From this statement it is evident that the banking-houses in London are like so many cisterns, disposed on each side of the street, between which pipes of communication are introduced, the overplus of one will presently find

its way into the next, and whilst one is deficient none will overflow.

The Bank has of late become a party to a very important arrangement to economise bank-notes. The daily demand of the Bank on the bankers for the amount of bills accepted and payable at their several houses is of course considerable, and used to be made at an early period of the day, before the notes were issued for bills discounted on the same day, and without any previous information to the bankers of what the amount charged on them might be, and of which they had no means of judging. The Bank has, for some time past, notified the extent of the demand in the early part of the day, and taken the amount at four o'clock; receiving in part-payment any draft on the Bank for discount, or otherwise, which the bankers may happen to hold, instead of bank-notes. Every endeavour, it may fairly be inferred, therefore, is used to economise bank-notes, and restrict the circulation; by the bankers, for the purpose of increasing their profits, which depend on the proportion of their deposits which they can turn into quick stock; and by the Bank, with a view to the public accommodation, or to save an unprofitable issue of bank-notes. Still, it may be said, if the Bank gives way to the

applications for discount, which may be as unlimited as the spirit of adventure, bank-notes may be multiplied ad infinitum, at the will of the Directors. The Bank Directors say otherwise, "If we issue too many notes, the excess will return upon us."

There exists in the commercial world that degree of disinclination to discount at the Bank which leads every man to recur to his banker for assistance before he sends his paper to the Bank; and on the other hand a banker does not allow a respectable customer to go to the Bank for accommodation, whilst he can with any convenience furnish it himself. This is, in some measure, matter of feeling on both sides; and not only so, for the Bank advances money on bills of a particular description only, and is undeviating in its adherence to rules, and even to forms; neither does it take bills as a security for money to be repaid at the will of the borrower, as bankers do; but assumes the property in the bills, deducting discount for the whole term unexpired; so that a party wanting money for a week must pay two months interest for it, if he have no bills at shorter date to offer.

I have already shewn with what degree of rapidity money finds its level amongst the bankers in London, and it results, therefore, as

a general inference, that, whilst there is money unemployed and to spare in the city, discounters of the first class will not present themselves at the Bank; this statement will lead, I apprehend, to an explanation of the answer of the Directors to the inquiry of the Committee as to any rule by which they regulate their issues of notes so as to prevent excess. So long as the amount of notes in the hands of the public is not more than the parties holding them are willing to retain in their hands unemployed, for the purpose of making their daily payments, there is obviously no excess of that description which influences the price of commodities. When the amount goes beyond this, the surplus instantly fastens on the best bills and most eligible government-securities, chiefly on the first; and the effect even of a very small surplus will, whilst it continues, be surprisingly great. If it fall into the hands of any discounter who has occasion to pay money to the revenue-boards or to the Bank, the notes are cancelled, and the excess removed. If otherwise, the same sum of £50,000 may pass successively through the hands of every banker in Lombard-street, and absorb in its passage all the best bills in the market, to an unlimited amount; for if A. a merchant, borrow it of B. a banker, he immediately pays it away to C. who deposits

it without loss of time (indeed, as I before observed, he never withdraws it) with the same or other bankers; but, however often this transaction takes place during the day, it makes no real reduction in the supposed excess of notes, which will be as superabundant after the last discount it has effected as before the first. But the case will be speedily altered, the demand for discounts at the Bank is diminished on the morrow, to the extent of the multiplied accommodation afforded by the excess, whilst its call on the public for the payment of discounted bills falling due is undiminished.

The redundancy of notes reverts, therefore, (and in more than a due proportion, which accounts for some of the effects frequently experienced,) to the Bank, more being paid in than are taken out, and the amount in circulation is diminished.

The recurrence of a demand for notes by the first class of discounters (those which the directors distinguish as solid paper for real transactions) will indicate at once the abatement of the excess; and it does appear to me that the criterion, or rule, which the directors have stated is a sufficient one.

The effectual and rapid operation of this controul over the Bank issues receives satisfactory illustration by reference to the amount of bank-notes in circulation at the period immediately preceding

and following the issue of dividends, the increased circulation arising from an issue on each of these occasions of upwards of five millions being within very few days hardly perceivable.

In April 1809, for instance, immediately preceding the payment of dividends, the amount of notes of £5 and upwards was	£13,000,000
Subsequently to the 11th an issue took place of four millions, yet on the 7th of May the amount in circulation was only	13,100,000
On the 7th of July, after the quarterly payment had been made to the Bank, and when the circulation was at its lowest ebb, the amount of notes above £5 was	12,800,000
And of the issue of seven millions between the 11th and the end of the month, no evidence appeared on the 7th of August beyond a circulation of	13,100,000

How much earlier the effect was produced the paper in the Appendix to the Report does not in these instances shew, but the more detailed accounts No. 38, 39, and 40, enable me to state that in January, 1810, the large issue made on the 9th and subsequent day had lost its effect by the 22d, on which day the circulation was reduced below the average of December;

on this occasion, the speedy reduction may be considered, perhaps, as promoted by the partial redemption of the loan in the hands of the Bank at that period. But in April no such cause operated, yet it appears that by the 21st of April the circulation was within £100,000 of the amount on the 31st of March, although in the intervening period nearly four millions had been issued for dividends on the public funds.

In the year ending Jan. 1810, the interest on the public funds, exclusive of the proportion received by the commissioners for reducing the debt, amounted to about 26 millions, or, deducting the property-tax, to $23\frac{1}{2}$ millions; which was issued to the public quarterly, in the proportions of $7\frac{1}{2}$ millions in Jan. and July, and $4\frac{1}{2}$ millions nearly in April and October.*

It is observable that, although the January and July dividends exceed by three millions those of the other quarters, there is no perceivable difference in the period within which the circulation is reduced to the average amount.

The efficiency of the controul which the public holds over the issues of the Bank is in some

* It appears by the account No. 4, in the Appendix to the second report of the Finance Committee of 1807, that the amount of dividends due is generally issued within about £500,000, before the end of the month in which it is payable.

measure governed by the amount of discounted bills in the hands of the Bank, compared with the amount of advances to government on securities payable at more remote or less certain periods, and the total amount of notes. The two latter amounts we know, the former is not distinctly before the public, but the Committee has stated, from a communication made in confidence, that, whilst the advances to government for the two last years are less than they were for any of the six years before the restriction, the amount of bills discounted in the last year *bears a very high proportion to their largest amount in* any year preceding 1797; without going into calculation it will readily be allowed that the amount of these bills, this demand on the public, far exceeds any possible or supposed excess; and, if there be any where a superabundance of notes, it is therefore very easy to reduce it.

I have entered into the preceding detail for the purpose of shewing the practical operation of the rule by which, as the directors have stated, the bank regulates its issues so as to avoid excess. I think it will be satisfactory to my practical readers. By those of a more speculative cast the theories of the Report will still be preferred, but for such I have a more cogent argument in store, and one to which they will

hardly demur;—whether the rule in question be really the governing principle of the Bank, or whether it was thrown before the Committee with any malicious intent, I dare not decide, but the fact certainly is, that the axiom, or rule of conduct, on which the Committee has been pleased to heap contempt and ridicule, respecting which they have declared that the doctrine is fallacious, and leads to dangerous results, was promulgated by, and is founded on, the authority of Dr. Adam Smith, and was proposed to the Committee nearly in his own words. I quote the passage from the second chapter of the second book of the Wealth of Nations.

"What a bank can with propriety advance to a merchant or undertaker of any kind is not either the whole capital with which he trades, or even any considerable part of that capital, but that part of it only which he would otherwise be obliged to keep by him unemployed, and in ready money, for answering occasional demands. If the paper which the Bank *advances never exceeds this value, it can never exceed the value of the gold and silver which would necessarily circulate in the country if there were no paper-currency*, it can never exceed the quantity which the circulation of the country can easily absorb and employ." True; but how shall we ascertain when it exceeds this value. "*When a bank discounts to a*

merchant a real bill of exchange, drawn by a real creditor upon a real debtor, which, as soon as it becomes due, is really paid by that debtor, it only advances to him a part of the value which he would otherwise be obliged to keep by him unemployed and in ready money for answering occasional demands." Consequently its advances will not exceed the quantity which the circulation of the country can easily absorb and employ.

That the Committee may be right and Dr. Smith wrong is very possible ; I am not theorist enough to decide between them ; but the whole weight of Adam Smith's authority lies on the passage, and must be raised before the theory contained in it can be overturned. It is brought forward by him expressly as a rule for the conduct of banks, and he adds, "little expense can ever be necessary for replenishing the coffers of such a bank. (Ed. 1796. vol. 1, page 455.)

In the course of the examination of the Bank Directors by the Committee, it appeared that they do not refer to the state of the exchanges and price of bullion as a rule by which to regulate their advances, conceiving "that there is no connexion between the exchanges and the amount of Bank circulation." That this is also a great practical error, the Committee infers from the ex-

perience of all nations, where a paper-currency has been in use, and they advert briefly to the effects produced on the exchanges by the paper-currencies of North America, of France, of Portugal, and Austria. They observe, however, that "excess and want of confidence have usually combined to depreciate the paper-currency of foreign countries; but, as want of confidence has no place in our situation at present, they adduce examples of the other sort, in which the depreciation was produced by excess alone." As the anecdotes are stated, it would certainly appear that the paper was in the adduced instances excessive, and yet the fact most assuredly is, that in neither case was excess the cause of the depreciation, and the assumption directly contradicts the obvious meaning of the documents referred to. The first instance purports to be cited from Adam Smith, and refers to the latter part of the 2d chap. of the 2d book of the Wealth of Nations.—It is thus given in the Report, (page 17.) "In Scotland, about the end of the seven years war, banking was carried to a very great excess, and, by a practice of inserting in their promissary notes an optional clause of paying at sight or 6 months after sight with interest, the convertibility of such notes into specie at the will

of the holders was, in effect, suspended. These notes accordingly became depreciated, in comparison with specie; and while the abuse lasted the exchange between London and Dumfries, for example, was sometimes 4 per cent. against Dumfries, while the exchange between London and Carlisle, which is not 30 miles distant from Dumfries, was at par. The Edinburgh banks, when any of their paper was brought in to be exchanged for bills on London, were accustomed to extend or contract the date of the bills they gave, according to the state of exchange, diminishing in this manner the value of their bills, nearly in the same degree in which the *excessive issue had caused their paper to be depreciated.* This excess of paper was at last removed by granting bills on London at a fixed date," &c.

That the depreciation might be thus remedied is natural enough; but it is not an equally obvious remedy for excess.—The fact is, that, in the original passage in the Wealth of Nations, there is not one word about excess; and Dr. Smith assigns a different cause and also a different remedy for the depreciation.—Speaking of the optional clause, he says "the promissary notes of those banking companies constituted, at that time, the far greater part of the currency

of Scotland, which this uncertainty of payment degraded below the value of gold and silver money;" he states the fact respecting the difference of exchange between Dumfries and Carlisle, and adds: "but at Carlisle bills were paid in gold and silver, whereas at Dumfries they were paid in scotch bank-notes, *and the uncertainty of getting those bank-notes exchanged* for gold and silver coin had thus degraded them below the value of that coin: The act of parliament which suppressed 10 and 5 shilling notes suppressed likewise *this optional clause, and thereby restored* the exchange between England and Scotland to its natural state." XX

Again the Committee refers to two tracts in Lord Somers' collection, one by Mr. Godfrey, one of the original directors of the Bank, the other by Dr. Drake, published in 1699;—as authority for the statement, "that within a short period after the establishment of the Bank, (during the financial distresses in the reign of King William,) the effects of a depreciation of the coin, by wear and clipping, was coupled with the effects of an excessive issue of paper, and that, by the liberality of their loans," (to government and to individuals,) "the quantity of the notes of the Bank became excessive, their relative value was depreciated, and they fell to a discount of 17 per cent.

and the exchange with Holland, which had been before a little affected by the remittances for the army, sank as low as 25 per cent. below par. At length the true remedies were resorted to, first by a new coinage of silver, &c. and, secondly, by taking out of circulation the excess of bank-notes; this operation appears to have been effected very judiciously. Parliament consented to enlarge the capital-stock of the Bank, but annexed a condition, directing that a certain proportion of the new subscriptions should be made good in bank-notes. In proportion to the value of bank-notes sunk in this manner the value of those which remained in circulation began to rise; in a short time the notes were at par, and the foreign exchanges nearly so."

I have referred attentively to both these tracts, and have endeavoured fully to comprehend their meaning as well as their language, and am unable to extract one syllable from either of them, to countenance the idea of excessive circulation in the instance referred to as the cause of depreciation of the notes, or of the reduction of the rates of exchange, although the fact of depreciation is distinctly stated.—Mr. Godfrey's tract is important to the present purpose only as it shews that the ad-

vances of the Bank were made, at that time, on principles so different from those which for a century past have governed its conduct as to preclude all comparison or analogy. The Bank advanced money on real securities; mortgages and pledges of commodities not perishable; they also allowed an interest of 3 per cent. on their notes in circulation. But Mr. Godfrey mentions neither excess nor depreciation.

The important parts of the statement are taken from Dr. Drake; but I cannot concur in the paraphrase of the Committee: he speaks of the deteriorated state of the coin, and of the difficulties which had attended the recoinage just then completed. He states that the notes of the Bank had been at a discount of 20 per cent. and the government-tallies at a discount of 40, 50, and 60, per cent; and that Parliament had provided a remedy, 1st, by a new coinage of silver, and, 2dly, by authorising the Bank to augment its capital on condition that the subscriptions should be made $\frac{4}{5}$ in tallies and $\frac{1}{5}$ in bank-notes. The subscription amounted to one million, and Parliament assigned funds for interest thereon at 8 per cent. to be raised by a tax on salt. By this measure £800,000 of tallies were taken out of the market, and £200,000 of bank-notes also; but the condition of the subscription referred obvi-

ously to the obligation to take ¼ tallies; which hung as a weight on the exchequer, and which it could not discharge; be this as it may, Parliament had certainly no idea that bank-notes were excessive in the sense of the Committee; for Dr. Drake says, that, as a remedy for the scarcity of money, Parliament issued 2 millions of exchequer-bills as low as £5 and £10 each, "which answered the necessities of commerce among the meaner people for the common conveniences of life," and, "these bills passed in payment as so many counters, which the people were well enough satisfied to receive, because they knew the exchequer would receive them again as so much ready money."—Can it be assumed under these circumstances that the depreciation of bank-notes was occasioned by their excess as a medium of circulation?—Dr. Drake certainly says, "the value of £200,000 of bank-notes having been sunk by the new subscriptions, the rest, as it was reasonable to believe they would, began presently to rise in worth," and this expression might seem to countenance the statement of the Committee, but Dr. Drake's opinion, supposing he intended to distinguish between excess and discredit, is of less weight than his facts, and he states that no other way could have been found out to have retrieved their sinking credit;" "that Parliament took into consideration by what

means they might restore *the credit* of the bank of England, which was then at a low* ebb," and I know not where the Committee has met with the information (the correctness of which I do not mean to impeach) that the Bank Stock was at a premium, whilst the notes were at a discount. An adequate cause of the depreciation of their paper might easily be discovered, without supposing it excessive. — 1st. Bank-notes were payable in silver, then a legal tender and the usual medium of payment, which was so depreciated by clipping, that 30 *s.* were given in exchange for a guinea: moreover, during the recoinage the Bank "thought proper," as Dr. Smith expresses it, "to discontinue the payment of their notes, which necessarily occasioned their discredit;" and the Bank had not only lent their whole capital to government, (then in such difficulties, that Dr. Drake observes, unless a remedy had been found for the loss of credit, the new government could not have continued much longer,) but held tallies (then at a disconnt of 40, 50, and 60, per cent.) to an amount exceeding that of their notes outstanding, and had even borrowed money in Holland, as appears by the account presented by them to the House of Com-

* See Dr. Drake's tract, entitled "a short History of the last Parliament," in vol. 8. of Lord Somers' Collection, page 164.

mons, on the 4th of Dec. 1696, which I find transcribed in Mr. Fairman's Brief, and apparently accurate, Account of the British Funds. The account is thus stated:

To sealed bills outstanding .	£893,800	0	0
To notes for running-cash .	764,196	10	0
To money borrowed in Holland	300,000	0	0
To interest due on bank-bills outstanding	17,876	0	0
	£1,975,872	10	0

The assets to answer this debt were:

By tallies on several parliamentary securities	£1,784,576	16	0
By half a year's deficiency on the fund of £100,000 per annum	50,000	0	0
By cash, pawns, mortgages, &c.	266,610	16	0
Total credits . . .	2,101,187	12	0
Total debt	1,975,872	10	0
Balance in favour of the Bank	£125,315	2	0

Mr. Fairman observes, but does not state his authority, that, when the "new coinage was completed, Bank-stock, from *being consi-*

derably under par, got up to 112."—It will be recollected that these two cases are cited, in the Report, as instances in which the depreciation of the paper-currency and consequent depression of the exchange were produced by excess alone:* that viewed in this light they "appear to the Committee to afford much instruction on the subject of their inquiry;" and I have not therefore thought it altogether unimportant to ascertain the nature and extent of the instruction to be derived from them.

The next proposition to be examined is that which relates to the country banks; that the Bank, by its issues, regulates the amount of country-bank paper also. The practical importance of this question would not be great if it were admitted, which I cannot assume, that the public demand controuls the issue of bank-notes, for thenit necessarily controuls, on the principle of the Committee, the circulation of the country banks also. The paragraph in the Report in which this proposition is brought forward in page 28 runs in these words.

They "must observe that so long as the

* The famous Mr. Law, who wrote in 1720, ninety years nearer the transaction, observes, "I do not know how their notes came to be at a discount, whether from the circumstances of the nation or their own ill management."

cash-payments of the Bank are suspended the whole paper of the country bankers is a superstructure, raised on the foundation of the paper of the Bank of England. The same check which the convertibility into specie, under a better system, provides against the excess of any part of the paper-circulation, is, during the present system, provided against an excess of country-bank paper by its convertibility into Bank-of-England paper. If an excess of paper be issued in a country district, whilst the London circulation does not exceed its due proportion, there will be a local rise in prices in the country district, but prices in London will remain as before. Those who have the country paper will prefer buying in London, where things are cheaper, and will therefore return that country paper upon the banker who issued it, and will demand of him Bank-of-England notes or bills upon London; and thus, the excess of paper being returned upon the issuers for Bank-of-England paper, the quantity of the latter necessarily and effectually limits the quantity of the former. This is illustrated by the account which has been given of the excess and subsequent limitation of the paper of the Scotch banks, about the year 1763. If the Bank-of-England paper itself should at any time during the suspension of

cash-payments be issued to excess, a corresponding excess of country-bank paper may be issued, which will not be checked: the foundation being enlarged the superstructure admits a proportionate extension: and thus, under such a system, the excess of Bank paper will produce its effect upon prices not merely in the ratio of its own increase, but in a much higher proportion." The nature and limits of my observations forbid my engaging in a controversy with this formidably-metaphysical paragraph. I offer it to my readers as a specimen of the happy facility with which foundations are laid without possessing the soil, and superstructures erected on it without ascertaining its solidity.

The Committee has not defined the sense in which they use the term excess of currency, I therefore suppose it to be used in the Report in the sense in which it is used by Dr. Smith, as denoting a quantity greater than the circulation of the country can easily absorb or employ. Excess being assumed in the country paper, London notes *or bills upon London* will, it is said, be demanded in exchange; and thus the excess of country paper being continually returned upon the issuers,—what follows? that the country paper is kept within the point of excess? not at all; "that the quantity of the latter necessarily and effectually limits the

quantity of the former." Does this follow as a consequence? admitting the accuracy of the reasoning, under the supposition that the country notes were actually paid in bank-notes, does it apply, under the admission that they are paid by bills on London, since, as we have already shewn, the payment of these has very little reference to bank-notes? — Again. "If the Bank-of-England paper itself should at any time be issued to excess, a corresponding excess may be issued of country-bank paper, which will not be checked. — The foundation being enlarged, the superstructure admits of a proportionate extension:" is this a legitimate inference? The country notes, if issued to excess, will be brought back to be exchanged for London notes; but does it follow that the country-bank paper, if issued to excess, will not be checked, because there is already more Bank paper in circulation than the country can absorb and employ. Admitting for the moment the theory about local prices and districts, which some of my readers will, I doubt, think a very wild one, how is it applicable to the case of an excess of Bank-notes occasioning an additional issue of country notes. The Report supposes a case, that an excess of paper is issued in a country district, and draws an inference from it different, perhaps, from that

which is obvious; but the question before us is the effect on country notes of an increase, be it excess, of London notes. I will therefore repeat the argument of the Committee, changing town for country, and see what result it produces.

If an excess of paper be issued in the London district, while the country circulation does not exceed its due proportion, there will be a local rise in prices in the London district;—those who have the London paper will prefer buying in the country, where things are cheaper, and will therefore return that paper upon the Bank, who issued it, and will demand—what? Country-bank notes from the Bank; that cannot be: of the country banker in exchange for Bank-notes; equally improbable: and yet unless it comes to this how will the superstructure of country notes be enlarged in proportion to the extention of the foundation? If things are cheaper in Liverpool than in London I shall prefer buying there, and if I have too many Bank-notes, I shall (in theory at least) send them to Liverpool in payment; where, till they are got rid of and returned to London, they may restrict but can never augment by one shilling the circulation of the Liverpool banks.

The Committee has assumed as an axiom

that country-bank paper is a superstructure raised on the foundation of the paper of the Bank of England. But where do they learn this? They learned from Mr. Stuckey, a considerable and experienced banker in Somersetshire, that his houses regulate their issues by the assets they have in London to pay them, consisting of stock, exchequer-bills, and other convertible securities, without much reference to the quantity of Bank-of-England notes or specie which they have, although they always keep a quantity of both to pay occasional demands.—That it is unquestionably his interest, as a banker, to check the circulation of bank-notes, and to remit to London such as he receives beyond the amount which he retains as a deposit. That he imagines, if Bank-of-England notes were withdrawn from the parts where they now circuculate, as from the county of Lancaster, where they form the chief circulation, their places would be immediately filled up by the notes of the country banks.—What is there in this evidence to sanction the opinion, that bank-notes either generate or limit country notes?—But, adds the Report, this principle, viz. "that the quantity of bank-notes necessarily and effectually limits the quantity of country notes, is illustrated by the account

which has been given of the excess and subsequent limitation of the paper of the Scotch banks, in the year 1763:"—The illustration runs thus: "this excess of paper was at last removed, by granting bills on London, at a fixed date, for the payment of which excess of paper *it was necessary in the first instance to provide large pecuniary funds in the hands of their London correspondents.*" This illustration affords no assistance to the theory it is introduced to support, because it depends on a fact, and the fact relied on is altogether unfounded. Did the Committee really suppose that a Scotch bank, or any other bank, when giving a bill at 40 days date, on London, in payment of its notes, actually deposits, in the first instance, Bank-notes in the hands of its London correspondents; and farther, that the banker having possession of them holds them specially appropriated to the discharge of the bills for which they are to provide? that they could mean this is impossible, yet, if the fact be not so the illustration is wholly inapplicable to the case. In confirmation of the opinion respecting the dependance of country on town paper, the Committee has adduced a fact and figures which it is necessary to examine, because they afford a remarkable instance of the bias with which evidence is brought forward in

favour of what Mr. Locke terms an "espoused proposition."

Referring to documents received from the Stamp-office, the Report states, that, in 1809, the number of stamps on notes reissuable, in the classes between £2 : 2 and £20 alone, indicate, on an average calculation, an increased issue of notes, to the amount of £3,095,340 beyond that of 1808, whence they infer an increased circulation to that extent. The statement is given thus: — "Number of country-bank notes exceeding £2 : 2, each stamped in the year ending the 10th Oct. 1808, and 10th Oct. 1809:

	1808	1809
Exceeding £2 : 2 & not exceeding £5 : 5	666,071	922,073
Exceeding £5 : 5 & not exceeding £20	198,473	380,006

Averaging the first class at £5, and the second at £10, the stated result is produced. Considering the authority from whence the statement proceeds, there is not, I am persuaded, one reader in a hundred who has doubted its fairness or the justness of its application; yet am I bound to impeach both. Extracting from the documents from the Stamp-office a similar comparative statement for the years 1805, 1806, and 1809, it will stand thus:

	1805	1806	1809
Exceeding £2 : 2 and not exceeding £5 : 5	823,460	832,940	922,073
Exceeding £5 : 5 and not exceeding £20	302,600	323,100	380,006

Adopting the calculation of the Committee, it will be found that the increased circulation in 1809, beyond that of 1806, is £512,000 in three years, instead of £3,005,000 in a single year; and this is the fair mode of comparison; for the Report states that these notes are reissuable for three years. Those issued in 1806 are, therefore, received in 1809, as those of 1805 are in 1808. The aggregate issue of the two years 1808 and 1809 is less than that of 1805 and 1806 by 115,477 stamps, equal to £775,000. Had the statement been a fair and correct one, it would yet have been inapplicable to the case. Antecedently to June, 1809, no increase had taken place in the amount of bank-notes beyond the circulation of 1808; yet it appears, by the return from the Stamp-Office, No. 53, that the increased demand for stamps alluded to by the Committee took place in the latter end of 1808 and beginning of 1809, and that, as the issue of bank-notes increased between July 1809, and May 1810, the issue of stamps for country notes materially diminished.

Number of stamps of the classes before stated issued in the following quarters:—

In the quarter ending 5th Jan. 1809		465,071	
	5th April	324,008	
	5th July	371,960	
Total issues of 3 quarters		———	1,161,039

Between July 1809 and May 1810, the amount of bank-notes increased from 18 to 21 millions, the issue of stamps for country notes (of the same classes) was

In the quarter ending Oct.	1809	221,719	
Jan.	1810	284,658	
April		262,365	
		———	768,742
Issue, less in the 3 last quarters			392,297

Which would imply a reduction in the country circulation, so far as the evidence of the stamps goes, of £2,600,000 during the period in which the Bank circulation was increased very nearly to the same amount:—had this fact been noticed by the Committee, it might, perhaps, have led them to inquire whether the Bank Directors could trace their increased issue to any cause connected with a dimunition of country bank-notes.*

* Mr. Ricardo is also of opinion that the Bank of England

Whatever opinion be entertained on these points, however the questions respecting the powers of the Bank be disposed of, still the opinion of the Committee, that, in point of fact, the paper-circulation of the country is excessive, stands as the prominent feature of the Report. As the fact is not *apparent* at least, (I mean that there is more paper than the country can easily absorb and employ) the onus probandi seems to lie on the Committee, but they have thrown it altogether off their shoulders, they have brought forward neither evidence nor documents in support of the opinion,

is the great regulator of country-bank paper, "when they increase or decrease the amount of their paper, the country banks do the same." And he grounds this opinion on the theory of prices tending to equalize the circulating medium in districts having free intercourse. It is foreign to my purpose to enter into an argument on this subject; but it appears to me, that Mr. Ricardo was bound to shew that some physical impossibility obstructs the increase of bank-notes at the expense of country notes, and *vice versa*, before he assumes that an increase of bank-notes must produce an increase of country notes; he seems to consider it probable that the endeavours of country bankers to displace bank-notes has been successful, in which case the proportion between town and country notes has varied withou any such fluctuation, in the price of commodities has formed the basis of his argument. On the other hand any introduction of bank-notes to supply the place of discredited country notes, as recently in the West of England, augments the positive amount of the former, whilst that of the latter is positively diminished.

and they distinctly admit that the high price of bullion and the low state of the continental exchanges are the most unequivocal symptoms of excess they have to adduce.

They have, indeed, added materially to the difficulties of the inquiry, for they state (what is probably true) that the mere numerical amount of bank-notes in circulation is no evidence of inadequacy or excess, as the same amount may bear a very different proportion to the necessities of commerce under different circumstances of trade and payments, and that the quantity of currency bears no fixed proportion to the price of commodities; they take also to themselves the benefit of any argument to be drawn from the economy introduced in the use of bank-notes, which they think must have produced a greater effect than has been ascribed to it, in lessening the quantity of bank-notes necessary to the circulation. It is therefore needless to dwell on the fact of an exchange 6 to 8 per cent. in our favour in 1804 and 5, with a circulation of £18,300,000 of bank-notes, (Finance Committee, 1807, App. 8.) or to shew that, in the end of 1808 and beginning of 1809, it turned against Great Britain, with a circulation less by one million; to point out an improvement of 10 per cent. on the exchanges, with a continually-increasing circu-

lation, between Nov. 1809 and May 1810; or to recur to the state of the exchanges and price of bullion in 1800, when they were nearly as unfavourable, with a circulation of 15 or 16 millions, as in 1810 with a circulation of 21 millions. The circumstances of the internal circulation, it will be said may have been such in 1804 and 5, that a greater amount was not then an excess, although in 1809 a smaller amount was found to be so. But is it not then a fit subject of inquiry, whether circumstances so varying, and so greatly operative, whatever they be, may not also produce a direct effect on the course of exchange and price of bullion? With respect to the contrivances to economise bank-notes, it should be observed that the London clearing-house, the great feature of this economy, has existed, as appears by the evidence of the inspector, 35 years, and its operation was long anterior, therefore, to the restriction-bill, and the increased issue of bank-notes.

But these are not the only difficulties attending a comparison of the amount of bank-notes with their object. Mr. Ricardo states, "that the circulation can never be overful," (page 40.) meaning thereby, as I apprehend, (for in this instance Mr. Ricardo's language is not quite so clear and perspicuous as it usually is) that, as

the nominal price of commodities rises in proportion to any increase of currency, the currency, though of greater numerical amount, will not bear a higher proportion to the value of the commodities; and although there is an obvious depreciation there is no excess. If this interpretation be adopted it will be nearly useless to search for, and inquire after, excess of paper as a fact; we must be content to admit proof of its existence from its effects, and our attention must be directed to ascertain depreciation, or an increased price of commodities, solely arising out of, and occasioned by, the increased amount of the *circulating medium.*

There is a passage, however, in the Wealth of Nations, which introduces a mode of comparing the amount of currency with its object, not noticed by the Committee.

"A prince," says Dr. Smith, "who should enact that a certain proportion of his taxes should be paid in a paper-money of any kind, might thereby give a certain value to this paper-money, even though the time of its final discharge and redemption should depend altogether on the will of the prince. If the Bank which issued this paper were careful to keep the quantity of it always somewhat below what could easily be employed in this manner, the demand for it might be such as to make it even

bear a premium, or sell for somewhat more in the market than the quantity of gold and silver for which it was issued." The principle being admitted, on the authority of this eminent writer, it remains to be shewn how far the conditions are, in our case, fulfilled.

The enactment is ample: not only the whole amount of the taxes of Great Britain are payable in bank-notes into the Bank of England, but even the economy heretofore spoken of in mercantile transactions has in this instance no place. The revenue-boards take no drafts, orders, nor commutations, of any kind, nor does the Bank afford in the receipt of the revenue any of the facilities to which it has become a party in its dealings with bankers, even on the most pressing emergency; and bank-notes do, therefore, actually, (as Dr. Smith supposed they might,) in many cases bear a positive premium: I mean at those periods previously to the issue of dividends, when the receivers-general or their agents, being bound to make their payments within a given day to the Bank, are content to accept a less price for funds or exchequer-bills, if paid for in notes immediately, than if paid for on the next or any following day, nay even by draft payable in the afternoon of the same day. This difference, not unfrequently 3 or 4 times the value of the interest of the money, is a

positive premium for bank-notes, since it would not be given for a consideration of any other kind; the acceptances of the first merchants or bankers, East-India bonds, country-bank notes, will not obtain it: nothing procures it, but that precise commodity, money or bank-notes, which alone answers the purpose of making the payment required. And if the law required that the taxes should be paid exclusively in notes, there is no question but bank-notes would bear the same premium, on these occasions, against money also; — for it is their scarcity, at these moments, which gives rise to it. Nor, if we refer to figures, shall we be surprised at this effect, or that Bank-notes should, at particular periods, be scarce and insufficient in amount for the public accommodation.

	£
Antecedently to the commencement of the war in 1793 the total amount of the permanent taxes, on an average of four years, (2d Report of the Finance Committee, 1797,) was	13,800,000
Add the real amount of the annual grant of land and malt	2,558,000
Total payments to the revenue in one year	16,358,000

At this period the amount of Bank-notes in circulation, on an average of four years, 1793, (Rep. Appendix, 49,) was	11,200,000
And the amount of gold coin, beyond that now in circulation, taken at the amount of £ 1 and £ 2 notes since issued, being equal to one-tenth part of the gold coinage between 1760 and 1797	6,100,000
The total amount of currency, in 1793, being, therefore . .	17,300,000

and equal in amount to, or rather exceeding, the payments to the revenue in the course of one year. At this period the exchanges were much in our favour, gold below the mint-price, and bread at 7½*d.* the quartern loaf.

	£
The net amount of the public revenue paid into the Bank of England, for the year ending 5th Jan. 1810, was	62,129,781
Add amount of loan, including 3 millions for Ireland, the payments for which are made to the	

Bank in the same manner as the taxes	14,674,668
Total payment as per account delivered to Parliament on 24 March last	76,805,449

At the period of the greatest depression of the exchange, in the autumn of 1809, the amount of Bank-notes, including those of £1 and £2 and Bank post bills, did not exceed 20 millions. The increased amount of currency beyond that of 1793 was therefore 3 millions, and the increased amount of payments to government alone above 60 millions. The currency being now little more than one-fourth of the amount of these payments; whereas, before the war, it exceeded it; when there was no ground of complaint against the rate of exchange, the price of bullion, or that of commodities. At present, the total amount of Bank-notes in circulation, throughout the kingdom, is cancelled between 3 and 4 times in each year, in payments to the revenue; and every reader must form his own opinion, whether, under such circumstances, the amount is greater than "can be easily employed in this manner," according to the idea of facility

which Dr. Smith entertained when he used the expression.*

It is not equally easy to form an estimate of the commercial circulation at the two periods; and, if it were formed, the observations of the Committee would preclude any application of it. But, it is not altogether an unimportant fact that, since the restriction, the increase in the amount of Bank post-bills, a species of note not seen in London, and used chiefly for the purpose of making remittances to the country, is nearly in proportion to the increase of notes generally. When the amount of Bank-notes was 10 to 11 millions, the Bank post-bills outstanding amounted to £5 or 600,000: now that Bank-notes have increased to 20 or 21 millions, the post bills have amounted to one million, which I consider as evidence of increased internal circulation in the same proportion.

It was more within the power of the Committee to have investigated the question of depreciation; it was fully within their power, at least, to have ascertained in what sense, and

* Having occasion, in the course of the last year, to trace the payment to the Bank of a note of £1000, I collected, from the mode of search and the observations made, that it would be an unusual case if a note of this description had not returned within a month from the period of its issue.

to what extent, they mean to impute the increased price of commodities to the paper-circulation, when they intimate, that the cause of the increased price of all commodities is to be found in the state of the currency of the country; and, that the Bank is responsible for the effect on prices not merely in the ratio of its own excess of paper, but in that of the excess of country-bank paper also. But nothing is done in the Report towards either of these objects, and its language has an obvious tendency to sanction the popular notion, that the increased price of commodities is evidence of a depreciation of currency.

There are two obvious and practical causes of the augmentation of prices in Great Britain, since the date of the restriction-bill, the effects of which should have been accurately ascertained, before a cause not obvious, wholly speculative, and against the hasty adoption of which even theorists have cautioned us, was assigned in the Report.

The causes to which I allude are, the altered state of the corn-trade, and the scarcity arising out of it in 1800 and 1801:

And the increase of taxes since the commencement of the war in 1793.

From the year 1790, Great Britain has ceased to produce corn enough for its own con-

sumption; and has annually imported large supplies. At the end of 1799, there was no stock on hand, and, during the deficient harvests of 1800 and 1801, the importations were greatly inadequate to supply the loss. The scarcity and consequent measures of those years are yet fresh in our recollection; seventeen acts of parliament passed with reference to this subject in the last six weeks of 1800. Bounties were granted, and every substitute adopted, yet the average price of wheat *for the two years*, throughout England and Wales, was 109*s.* to 110*s.* and bread rose to 18*d.* the quartern loaf. It became necessary to advance the wages of all descriptions of labour, and these, as well as the pay of the army and navy, were raised to the standard of the current prices. Although the price of grain subsequently fell, the wages of labour did not experience a reduction; and they remain at present nearly at the standard to which they were advanced about the years 1800 and 1801.—If the price of labour be now, as it is generally understood to be, fully adequate to the present high price of provisions and commodities, the excess, during the abatement of price, in the years succeeding 1801, from an average of 110*s.* to an average of 67*s.* in 1802, 75*s.* 76*s.* and 79*s.* in 1805, 1806, and 1807, has operated as

a cause instead of being the effect of high prices, and has defeated the endeavours of Parliament so to apply the taxation as not to affect the wages of labour, and has produced the same effect which a direct tax on labour would have occasioned. It is, perhaps, impossible to ascertain in what degree the prices of commodities generally have been affected by this extraordinary advance of the wages of labour, but it appears from the communications made to the Board of Agriculture, that the advance of wages to labourers in husbandry, between 179[illegible], when export ceased, and 1804, amounted to 37 per cent. *on the prices of* 1790.

There are readier means of ascertaining the effects of increased taxation. In 1793, as I before stated, the net revenue amounted to about sixteen millions; but it is the gross revenue which the subject pays, and we may, therefore, call it, at that time, seventeen millions.

The gross revenue of one year, to January, 1810, amounted to £70,240,226, as appears by the account delivered to Parliament, on the 24th of March, being an addition to the charge on the land, the labour, the revenue, and expenditure, of British subjects, since 1793, of £53,240,000.

According to every principle of political eco-

nomy, a tax on land, labour, or industry, is a tax on the produce of each, as fully, if not so directly, as the taxes levied on goods at the Custom-house or Excise-office, and, therefore, this sum of fifty-three millions must be, and now is, added to the aggregate price of commodities in Great Britain, beyond their price in 1793, except in so far as the direct and personal taxes fall on those who, living on fixed incomes, have not the means, by the increased price of their labour, increased profits, or increased rents, to relieve themselves of the burthen. The direct taxes amount to about one-fourth of the whole, and the proportion of these, which falls on certain incomes, does not affect the price of commodities. If certain incomes be taken at an amount equal to the interest on the funds, (not meaning thereby, that a large proportion of stock-holders do not indemnify themselves elsewhere, as proprietors of land, merchants, traders, and manufacturers, but to allow a sum adequate also to the annuities on land, salaries of office, &c.) a proportion equal to one-sixth of a fourth of the general taxation may be considered as positively taken out of the pockets of those who pay it. To obviate objection, let it be admitted that $\frac{1}{10}$th instead of $\frac{1}{24}$th is so taken. The remainder, about 47 to 48,000,000, is an annual

augmentation to the price of commodities in Great Britain. Now, the aggregate price of these commodities cannot exceed the total income, or revenue, by means of which they are consumed, which, from the best judgement that can be formed of it from parliamentary documents, does not exceed 140,000,000, so that, of the *present* price of commodities, *one-third* taken on average, (some more, some less, according as they are more or less immediately affected by taxation,) must be considered as representing the taxes imposed since 1793; and one-third of the present price is, of course, equal to half the price of 1793.

If any doubt should be entertained, whether landholders, for instance, have really been able to indemnify themselves to this extent, and to raise an additional income equal to such an amount of taxation, I may at once refer to satisfactory documents in proof of it. In the Report of the Commissioners of Naval Inquiry, on Greenwich Hospital, is a statement of the rents of the Derwentwater estates, now possessed by the Hospital, shewing an increase, between the years 1790 and 1805, from £18,300 to £24,700, being one-fourth of the present rents; but the last four years, in which very considerable additions have been made to the rents, are not included. The average increase

of rent on *arable* land, thoughout the kingdom, between 1790 and 1803, as returned to the Board of Agriculture, was £40 per cent. on the rents of 1790, or £28 per cent. on those of 1803, to which returns the same observation respecting the period not included will apply.

To what rise in the price of commodities does the Committee allude which is not justified by the multiplied operation of an increased public demand on the produce of the land and labour of the country, to the extent which has here been stated? The price of corn has fluctuated so much since the supply has, under the inconveniences of war, depended on importation, that it is become, except on very long averages, an unfit standard of comparison: as early as 1795 and 1796, I find the quartern loaf, for many months together, at 15*d.* and, as late as 1807, the average of the year not exceeding 11*d.* and 11½*d.* — in the course of a single year, and even in succeeding months, variations in price, on the average of the kingdom, of ⅓ and even ½ of the value of the commodity. The average price of wheat for the year 1800 was 112*s.* 8*d.* and, for the year 1802, 67*s.* 7*d.* — such fluctuations have obvious reference to supply and demand, and can in no degree be referred to corresponding variations,

either in the cost of the article or the medium of payment*. Meat has fluctuated less in price than corn: the increase of price appears to have been progressive, from about 7*d.* to 10*d.* per lb. but has not exceeded the proportion resulting rom the natural effect of taxation.

The metals which are the produce of British soil, of which the supply is always equal to the demand, might perhaps form a better standard of comparison: but, in this commercial country, it is difficult to fix on any commodity which is not affected by the circumstances of war or peace, as in the case of timber or hemp; comparative scarcity or superabundance, as tallow and coffee; want of demand, as in the

* I have extracted from the Gazette the weekly prices of grain in the five years preceding the restriction, from 1792 to 1796, and the five last years, from 1806 to 1810 inclusive, both periods including great fluctuations of price, but neither the extremes of the years 1800 and 1801.

	Wheat.	Barley.	Oats.
	s. d.	*s. d.*	*s. d.*
The average of the last five years is,	87 2	43	30 6
A deduction of these prices of $\frac{1}{3}$	29	14 4	10 2
would leave..................	58 2	28 8	20 4
The average of 1792 to 1796 is	57 6	34	20 6

but I do not think that any fair inference can be drawn from the result, because, throughout the whole period, the prices have been regulated more by importation than any internal circumstances.

case of East-India goods; or want of supply, as those from Italy and the Levant. Then, again, speculation intervenes, and raises exorbitantly the price of wool, the bubble bursts, and wool is an unsaleable commodity. A bad harvest occasions a large demand for sugar at home; a friendly disposition in Sweden carries all the surplus abroad. A good harvest closes the distillery against sugar; French influence shuts the Swedish ports against us, and sugar has no price. The price of wheat depends on intercourse with America; the distillery influences barley; the value of oats is regulated by importation from Holland. How, in this chaos, the Committee can discover the depreciation of our currency in the price of commodities I know not; yet, says the Report, "the prices of all commodities have risen, and gold appears to have risen in its price only in common with them. *If* this common effect is to be ascribed to one and the same cause, that cause can only be found in the state of the currency of this country." On this most extraordinary passage I shall only observe "that your *if* is a great peace-maker."

It is not possible to follow the subject of relative prices to any satisfactory point, without engaging in a very protracted investigation and a multitude of figures, which I wish to

avoid; enough has been adduced to shew that an increase in the prices of commodities of nearly one-half on those current in 1793 is naturally accounted for, without assuming a depreciation of currency, and that, unless a pair of shoes, a hat, or a coat, which would, in 1793, have cost 8 *s.* a guinea, and 3 guineas, cost now more than 12 *s.* 31 *s.* 6 *d.* and four guineas and a half, the increase of price is not greater than may be naturally accounted for, from the effect of increased taxation.

Should any persons be disposed to pursue the inquiry farther, they will recollect that the effect on prices produced by taxation is exclusive of, and independent upon, such increase as may be occasioned by circumstances specially affecting particular commodities; as great scarcity compared with the demand, restraints imposed on introduction or exportation, or heavy direct duties, as in the case of Wine, Spirits, or Sugar. In adducing taxation as the cause of an increased price of commodities I am not certainly introducing any novel principle, but the more men of every rank have felt the necessity of augmenting their incomes, the more attention has been paid to obtain such increased income from land, the more operative has the principlebecome; and it does not appear

that the Committee have allowed sufficiently for its effect.

I shall only add a few observations on the recommendation of the Committee to Parliament, as the result of their inquiry.

This recommendation is conveyed in the shape of opinion, "That the system of the circulating medium of this country ought to be brought back with as much speed as is compatible with a wise and necessary caution to the original principle of cash-payments, at the option of the holder of Bank-paper." "According to the best judgement the Committee has been able to form, no sufficient remedy for the present or security for the future can be pointed out, except the repeal of the law which suspends the cash-payments of the Bank of England." And the Committee "suggest that the restriction of cash-payments cannot safely be removed at an earlier period than two years from the present time, as it would be hazardous to compel the Bank to pay in six months, should peace be concluded within that period, and would be found wholly impracticable." The Committee are, therefore, of opinion, "that, even if peace should intervene, two years should be given to the Bank for resuming its payments; but that, even if the war

should be prolonged, cash-payments should be resumed by the end of that period."

Persuaded as I am that both the rate of exchange and price of gold are controuled at present by the foreign expenses of government, operating upon a small favourable balance, I cannot of course anticipate any difficulty in the resumption of cash-payments by the Bank, when those expenses shall have ceased. Nor, supposing them to continue, can I contemplate greater facility in resuming them at the expiration of two years than is now experienced. The Committee can hardly expect any increased activity in our manufactures from a reduction of the accommodation they have experienced; or an increased exportation to the continent as the effect of reduced prices; (presuming, as the Committee seem disposed to do, that such reduction is just and practicable;) because we see already that a profit of 3 and even 400 per cent. on colonial produce, on coffee particularly, the article most wanted in France, and most superabundant here, is not a lever powerful enough to obtain for it an introduction. Our imports consist, for the most part, of articles with which we cannot dispense, without abandoning altogether the contest in which we are engaged. If our imports

are not diminished, our exports increased, or our foreign payments lessened, I do not see how the utmost stretch of inconvenience which, by reducing the circulation, the nation may be made to suffer, will improve the exchange or lower the price of gold. I could point out effects of a very different nature, which will unquestionably result from it. On former occasions, mercantile distresses improved the exchange, by inducing the merchants to draw bills on their correspondents abroad to raise money, which they would provide for by exports, even at a loss. But even this wretched shift cannot now be practised; there is no market on which bills are current to which goods can be sent.

Whilst offering their suggestions to Parliament no doubt the Committee had distinctly in view

The evils and inconveniences which they propose to remedy;

The mode in which the remedy will be produced by the adoption of the recommendation;

And the consequences with which that adoption will be attended.

These points are not, however, brought prominently forward in the Report, and we are left to discover, as we can, what the measure is intend-

ed to effect, and how it is to be effected. "A return to the ordinary system of banking" can alone, say the Committee, "effectually restore general confidence in the value of the circulating medium of the kingdom;"—"the serious expectation of this event must enforce a preparatory reduction of the quantity of paper;"—"and the anticipation of the time when the Bank will be constrained to open, may also be expected to contribute to the improvement of the foreign exchanges," which, the Committee informs us, "they have abundantly shewn the Bank to have the power of controuling."—On these intimations of the objects of the Committee it is obvious to remark, that the restoration of confidence is a work of supererogation: the Report had previously informed us that "want of confidence has no place in our present situation."—The Committee have admitted that the fall of the exchange was occasioned by political circumstances, operating on the commerce of the country, yet they anticipate its improvement from modifications of our currency. They say nothing about the price of bullion, which is expected, doubtless, to return when the Bank shall have sufficiently controuled the exchange; although "Mr. Locke and many other writers have clearly

demonstrated, that the coins of any country can only be retained within it when the general balance of trade and payments is not unfavourable," (Lord Liverpool's letter to the King, page 109,) and these effects are all to be produced by a reduction in the quantity of paper, although no attempt has been made to shew from whence any superfluity can be withdrawn. "The rate of wages of common country labour adapts itself more slowly to the changes which happen in the value of money than the price of any other labour or commodity; and the pay of some classes of public servants, if once raised, in consequence of a depreciation of money, cannot so conveniently be reduced again," such is the opinion of the Committee. Yet, in the midst of war, when those classes are numerous, when that labour is scarce, and the wages of both have adapted themselves very fully to the present value of commodities, the Committee recommend a forced reduction in the price of the produce of land and labour, from whence those wages are to be defrayed. That this is the intended effect of the reduction of Bank-paper will be readily understood and admitted by those who have attentively considered the principles of circulation laid down by the Committee. Let it be remembered also that the taxes are

for the most part *fixed*, not proportional, rates; they, too, as well as the wages of labour, are adapted to the existing value of commodities, or rather the value of these has adapted itself to the rate of taxation. Nor is this reduction intended to be a trifling one: the Committee observe, that, in the present state of our circulation, to compel the Bank to pay specie in six months would be most hazardous, and would be found wholly impracticable. "In effecting so important a change, some difficulties must be encountered and some contingent dangers to the Bank must be carefully guarded against;" and, therefore, time is to be given to the directors to feel their way, and tread back their steps slowly, by a gradual reduction of their paper, which, on the principle of the Committee, will produce a fourfold reduction in the country-bank paper also: the effect on the agricultural and commercial interests of the country of such a curtailment of the usual means of circulation I pretend not to define.*

* Many persons may feel disposed to coincide with the Committee in their hostility to paper, under the idea that the accommodation afforded by it to merchants and farmers tends to encourage speculation and enhance prices; this objection obtains no sanction from the Report; for the Committee is of opinion "that the largest amount of mercantile discounts by the

Suppose by any means, as the effect of these measures, gold to return generally into circulation, what should we gain? We adopt an instrument of circulation most costly in place of one which costs nothing; being greatly in debt and little to pay withal, we wish to play at agriculture and commerce with gold counters, when paper ones answer our purpose to the full as well; and expend in the purchase of them a large portion of the produce of our soil and labour, the whole of which we find already inadequate to defray our foreign expenditure.

But this part of the subject is fully treated by Sir John Sinclair, and is out of the line of my practical observations.

My object has been to ascertain the soundness of the ground on which the Committee

Bank, if it could be considered by itself, ought never to be regarded as any other than a great public benefit, and that it is only the excess of paper-currency, thereby issued and kept out in circulation, which is to be considered as the evil."

I very much wish the Committee had not stamped with its authority a doctrine which requires far more consideration than they have bestowed upon it. Were the speculations in, and consequent increased price of, tallow and wool in the last year maintained by increased circulation or by mercantile discounts to individuals? Must we admit that, if 3 millions now lent to government were repaid and lent out again to such speculators, it must necessarily prove a great public benefit?

has founded its arguments; and, on a reperusal of the preceding pages, I appear to myself to have proved three things:

1st. That the propositions stated by the Committee, as the basis of their argument, are not generally true, and do not therefore form a solid foundation for the abstract reasoning of the Report:

2d. That the facts, where any are brought forward in support or illustration of the argument, are erroneously stated; and, when corrected, lead to opposite conclusions:

3d. That the effects we witness are sufficiently accounted for, by obvious and ordinary causes, and not necessarily referable to such as are speculative and undefined. And it occurs, as a general observation, that the Report does not convey the substance of the information acquired by the Committee, but has been framed under the influence of a judgement very early formed (see Rep. page 2.) on the subject referred to them, which, embracing in the objects offered to their consideration those points only which accorded with the intended references, would almost lead to the belief, that the Report had emanated from the school of those economists, of whom Mr. Playfair speaks, "who, not very attentive to facts, have established ingenious theories, and attempted to reduce

every thing to a system, on which they reasoned till they became enthusiasts, incapable of appreciating any thing that did not conform to the theories they had laid down."—Pref. 12th edit. Wealth of Nations.

P. S. The greater part of the preceding work was printed before I had seen Mr. Blake's Observations on the Principles of Exchange. The reputation which I understand they deservedly enjoy would have led me to consider them attentively before I offered my observations to the public, had I met with the work at an earlier period. I have not even now had an opportunity to read it: but, observing a republication of Mr. Mushett's tables appended to that work, I am led to notice it here as the cause of my not again publishing those tables, and I refer my readers to them either in Mr. Mushett's pamphlet or that of Mr. Blake.

In glancing over the pages of Mr. Blake's "Observations" a passage has caught my eye, in page 78, which appears to me not quite free from objection. I submit to Mr. Blake whether the paragraph, beginning "The effect,"

&c. contains altogether a candid statement; whether the impression it is intended to convey is *quite* consistent with the hints given to Mr. Wheatley, in the note in page 91? If it be, perhaps in a new edition Mr. Blake will incorporate the note in the paragraph alluded to, and allow the latter part of it to fill up the long interval between the circulation of 8½ millions in 1797 and the 21 millions in November, 1809.

Nov. 14, 1810.

THE END.

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OBSERVATIONS

ON THE

DEPRECIATION OF MONEY,

AND THE

STATE OF OUR CURRENCY.

WITH SUNDRY RELATIVE TABLES.

By ROBERT WILSON, ESQ.

ACCOUNTANT IN EDINBURGH,

ONE OF THE DIRECTORS OF THE BANK OF SCOTLAND, *&c.*

EDINBURGH:

Printed by C. Stewart,

FOR JOHN ANDERSON, PARLIAMENT SQUARE, EDINBURGH;

AND

LONGMAN, HURST, REES, ORME & BROWN, LONDON.

1811.

ARRANGEMENT.

OBSERVATIONS, &c.

SECTION I.

Respecting the Existence and extent of the Depreciation.

It is observed by Dr Adam Smith, that, in all the different stages of wealth and improvement, we can judge better of the real value of silver by comparing it with corn, than by comparing it with any other commodity, or set of commodities.

Labour and subsistence, indeed, as they are the original price paid for gold and silver, so in all the future transmissions thereof, they are the only real standards of the exchangeable value of these metals.

Previously to the discovery of America, a small quantity of silver exchanged for a large quantity of corn; but after that discovery, silver, as stated by Dr

Smith, ‘sunk in its real value, or would exchange
‘for a smaller quantity of labour than before, and
‘corn rose in its nominal price, and, instead of be-
‘ing commonly sold for about two ounces of silver
‘the quarter, or about ten shillings of our present
‘money, came to be sold for six and eight ounces
‘of silver, or about thirty and forty shillings of our
‘present money.’

On a review of the prices of corn, before and after the discovery of the American mines, Dr Smith concludes, that the discovery of these mines, in lowering the value of silver, had produced its full effect at or about the year 1636. That, for a considerable time afterwards, little variation took place in the value of silver, and it again rose somewhat in proportion to the value of corn, during the first sixty-four years of the eighteenth century.

About the year 1763, a very considerable rise in the money price of corn took place in Great Britain, from causes to be afterwards explained; but from that time till the year 1794 there was little or no variation in the value of silver, compared with that of corn.

Since the year 1794, however, there has taken place in this country, a rise in the nominal price of

corn, or depression in the value of gold and silver, altogether without example, since the first discovery of the American mines.

Thus, on comparing the average price of wheat for the 16 years, 1779 and 1794 inclusive, with the average price for the 16 years, 1795 and 1810 inclusive, the difference will be found to be equal to about 73 per cent.: or, 173*l.* now, will only purchase the same quantity of wheat which 100*l.* would have done prior to the year 1795.

On many other articles of home produce, not affected by direct taxation, the rise has been still greater; and, on the price of ordinary labour, it will be found very nearly to correspond with that on wheat. Thus, preceding the year 1795, the average price of labour might be taken at seven shillings per week, but cannot now be stated at less than twelve shillings, making a difference of betwixt 71 and 72 per cent.

In like manner the money prices, or nominal value of all real property, of whatever nature or description, have risen in an equal, if not a greater, proportion.

This depreciation may have affected either the real

value of gold and silver, or it may have been confined to our currency, or it may have consisted not only of a depreciation of gold and silver, but also of our currency.

It is of importance to keep in view the distinction betwixt a real depreciation of gold and silver, whether arising from general or local causes, and a depreciation of our currency: for, in so far as it may arise from general causes, it can admit of no remedy on our part; but if it is either a depreciation of gold and silver, arising from local causes, or a mere depreciation of our currency, the evil, in either case ought to admit of a remedy, though the remedies in these two cases may be very different.

SECTION II.

Respecting the Causes of the Depreciation, considered as affecting the real value of Gold and Silver.

A DEPRECIATION of the real value of gold and silver, may be owing either to general causes affecting their value in the general market of the commercial world, such as the increased fertility of the mines, or it may be owing to the particular institutions and circumstances of the country in which it has taken place.

Had the depreciation which has taken place in this country been owing to the increased fertility of the mines, it might have been expected that gold and silver would have appeared in great abundance in this, the most commercial country in the world. So far from such being the case, however, it must be admitted, that the suspension of our cash-payments in the year 1797, and its subsequent continuance to

the present time, afford proofs of a scarcity, rather than of plenty of gold and silver.

The value of gold and silver would also have fallen, in the rest of Europe, to an equal degree as in this country. It will be difficult, however, on that supposition, to account for the strong tendency which gold and silver have shewn, ever since the year 1794, to leave this country, and to flow to the Continent; and for the difficulty that has been experienced, in all our endeavours to bring them back, even with the advantage of a favourable exchange: and, even although a considerable depreciation of money may be shown to have taken place on the Continent, this may be, in part, attributed to the addition of a large portion of the gold and silver of Great Britain to the stock of the rest of Europe.

It is, no doubt, true, that the silver mines of America have become greatly more productive within the last hundred years; but it is not from the absolute quantity of gold or silver raised, that any depreciation of their value can be inferred. The increased quantity may be, and most probably has been, owing to the increased demand; and, in that case, though the absolute quantity should be ever so much increased, yet if they are still attainable only at the same expense of labour, their real value in relation

to corn and labour, the true standards of that value, will remain unchanged.

Besides, it is proved by the accounts subjoined to the report of the Bullion Committee, that the great increase in the produce of the silver mines took place as far back as the year 1773; and if the present depreciation of money is owing to that cause, it may be asked, why it did not operate prior to 1794, as it certainly did not, or, at least, in a very slight degree?

It may be concluded, therefore, that, although the extraordinary depreciation of money in this country, within the last sixteen years, may have been in part owing to the increased abundance of gold and silver in Europe; yet it cannot be altogether accounted for by that cause, and must have depended, in part at least, on local or temporary causes peculiar to this country.—These, I apprehend to be—

1. The increase of our consumption of corn to such an extent as greatly to exceed our ordinary annual production. This increased consumption is to be ascribed to the extension of our colonial territories, the increase of our commerce and manufactures, and the progress of the funding system. Its commencement may be dated from about the year

1763; at or soon after which Britain ceased to be an exporting, and became a regularly importing country of corn; and a permanent rise in the price of corn was the necessary consequence. But all the above-mentioned causes of increased consumption have operated to a much greater extent since the year 1790, than in any former period of equal duration, as is clearly proved by our progressive increase of importation since that period; and they have been further aided by a great war expenditure in that period.

2. The frequent recurrence of deficient crops, and interruption of our usual supplies from abroad, particularly the failure of crop 1795, the still greater failure of crops 1799 and 1800, and the partial failure of crops 1804, 5, 6, 8, and 9, while our supply from abroad was rendered more precarious than formerly, by the effects of the war, and by scarcities existing at different times in other countries; and the expense of importation was greatly increased by the high rates of freight and insurance.

3. The state of our corn importation laws, particularly the law of 1804, by which the price at which wheat might be imported, at a low duty, was at once raised about 24 per cent.

To which may be added the effect of the Orders in Council, 1807, and their consequences.

All these causes tending to the raising of the money-prices of corn and labour; and,

4. The suspension of our payments in specie, enabling us to maintain these increased nominal prices, which must otherwise have been checked by the limited nature of the circulating medium, while it consisted either of gold and silver, or of paper convertible into gold and silver, at the will of the holder.

The influence of the price of corn in regulating the price of labour, and of all articles of home produce, is thus stated by Dr Smith, in his argument respecting the effect of our corn laws.

'This enhancement of the money-price of corn, 'however, it has been thought, by rendering that 'commodity more profitable to the farmer, must ne'cessarily encourage its production.

'I answer, that this may be the case, if the effect 'of the bounty was to raise the real price of corn, or 'to enable the farmer, with an equal quantity of it,

'to maintain a greater number of labourers in the 'same manner, whether liberal, moderate, or scanty, 'than other labourers are maintained in his neigh-'bourhood. But neither the bounty, it is evident, 'nor any other human institution, can have any such 'effect. It is not the real, but the nominal price of 'corn which can, in any considerable degree, be 'affected by the bounty; and, though the tax which 'that institution imposes upon the whole body of the 'people may be very burdensome to those who pay 'it, it is of very little advantage to those who re-'ceive it.

'The real effect of the bounty is not so much to 'raise the real value of corn, as to degrade the real 'value of silver; or to make an equal quantity of it 'exchange for a smaller quantity not only of corn, 'but of all other home-made commodities; for the 'money-price of corn regulates that of all other 'home-made commodities.

'It regulates the money-price of labour, which 'must always be such as to enable the labourer to 'purchase a quantity of corn sufficient to maintain 'him and his family, either in the liberal, moderate, 'or scanty manner in which the advancing, station-'ary, or declining circumstances of the society oblige 'his employers to maintain him.

'It regulates the money-price of all the other parts 'of the rude produce of land, which, in every pe-'riod of improvement, must bear a certain propor-'tion to that of corn, though this proportion is dif-'ferent in different periods. It regulates, for ex-'ample, the money-price of grass and hay, of but-'cher's meat, of horses and the maintenance of 'horses, of land-carriage consequently, or of the 'greater part of the inland commerce of the coun-'try.

'By regulating the money-price of all the other 'parts of the rude produce of land, it regulates that 'of the materials of almost all manufactures. By 'regulating the money-price of labour, it regulates 'that of manufacturing art and industry; and by re-'gulating both, it regulates that of the complete ma-'nufacture. The money-price of labour, and of 'every thing that is the produce, either of land or 'labour, must necessarily either rise or fall, in pro-'portion to the money-price of corn.

'Though, in consequence of the bounty, there-'fore, the farmer should be enabled to sell his corn 'for four shillings the bushel instead of three and 'sixpence, and to pay his landlord a money-rent 'proportionable to this rise in the money-price of 'his produce; yet if, in consequence of this rise in

'the price of corn, four shillings will purchase no 'more home-made goods, of any other kind, than 'three and sixpence would have done before, neither 'the circumstances of the farmer, nor those of the 'landlord, will be much amended by this change. 'The farmer will not be able to cultivate much bet-'ter;—the landlord will not be able to live much 'better. In the purchase of foreign commodities, 'this enhancement in the price of corn may give 'them some little advantage. In that of home-made 'commodities, it can give them none at all; and al-'most the whole expense of the farmer, and the far 'greater part even of that of the landlord, is in 'home-made commodities.

'That degradation in the value of silver, which 'is the effect of the fertility of the mines, and which 'operates equally, or very nearly equally, through 'the greater part of the commercial world, is a mat-'ter of very little consequence to any particular coun-'try. The consequent rise of all money-prices, 'though it does not make those who receive them 'really richer, does not make them really poorer. 'A service of plate becomes really cheaper, and 'every thing else remains precisely of the same real 'value as before.

'But that degradation in the value of silver, which

'being the effect either of the peculiar situation, or 'of the political institutions of a particular country, 'takes place only in that country, is a matter of very 'great consequence, which, far from tending to make 'any body really richer, tends to make every body 'really poorer. The rise in the money-price of all 'commodities, which is in this case peculiar to that 'country, tends to discourage, more or less, every 'sort of industry which is carried on within it, and 'to enable foreign nations, by furnishing almost all 'sorts of goods for a smaller quantity of silver than 'its own workmen can afford to do, to undersell 'them not only in the foreign, but even in the home 'market.'

And, afterwards, he observes,—

'The bounty, as it raises in the home market not 'so much the real as the nominal price of our corn, 'as it augments not the quantity of labour which a 'certain quantity of corn can maintain and employ, 'but only the quantity of silver which it will ex-'change for, it discourages our manufactures, with-'out rendering any considerable service either to 'our farmers or country gentlemen. It puts, in-'deed, a little more money into the pockets of both; 'and it will, perhaps, be somewhat difficult to per-'suade the greater part of them, that this is not ren-

'dering them a very considerable service. But if 'this money sinks in its value, in the quantity of la-'bour, provisions, and home-made commodities of 'all different kinds, which it is capable of purchas-'ing, as much as it rises in its quantity, the service 'will be little more than nominal and imaginary.'

The effect of the re-action of a rise in the price of labour, in raising and keeping up the price of corn, is thus illustrated by Mr Malthus.

'No person,' he observes, 'will venture to doubt, 'that if we were to give three additional shillings a-'day to every labouring man in the kingdom, in 'order that he might have meat for his dinner, the 'price of meat would rise in the most rapid and un-'exampled manner. But, surely, in a deficiency of 'corn, which renders it impossible for every man to 'have his usual share, if we still continue to furnish 'each person with the means of purchasing the same 'quantity as before, the effect must be in every re-'spect similar.'

And again, 'If we were to double the fortunes of 'all those possessing 100*l.* a-year, the effect on the 'price of grain would be slow and inconsiderable;

'but if we were to double the price of labour through-'out the kingdom, the effect in raising the price of 'grain would be rapid and great. The general prin-'ciples, on this subject, will not admit of dispute.'

Mr Malthus seems, also, to have been fully aware, that the effects he has supposed, could not have been produced in the ordinary state of our circulating medium. 'On the commencement, therefore, of this 'extensive relief, which would necessarily occasion 'a proportional expenditure in provisions throughout 'all the ranks of society, a great demand would be 'felt for an increased circulating medium. The na-'ture of the circulating medium, then (1799 and '1800) principally in use, was such, that it could be 'created immediately on demand. From the ac-'counts of the Bank of England, as laid before Par-'liament, it appeared that no very great additional 'issues of paper took place from this quarter. The '3½ millions, added to its former issues, were not 'probably much above what was sufficient to supply 'the quantity of specie that had been withdrawn 'from the circulation,' &c.

'The demand, therefore, for an increased circu-'lating medium, was left to be supplied by country 'bankers; and it could not be expected that they 'would hesitate in taking the advantage of so pro-

'fitable an opportunity. The paper issues of a 'country bank are, as I conceive, measured by the 'quantity of the notes which will remain in circula-'tion; and this quantity is again measured, suppos-'ing a confidence to be established, by the sum of 'what is wanted to carry on all the money trans-'actions of the neighbourhood. From the high price 'of provisions all these transactions became more 'expensive. In the single article of the weekly pay-'ment of labourers wages, including the parish al-'lowances, it is evident that a very great addition to 'the circulating medium of the neighbourhood would 'be wanted. Had the country banks attempted to 'issue the same quantity of paper, without a parti-'cular demand for it, they would quickly have been 'admonished of their error, by its rapid and pressing 'return upon them: but at this time it was wanted 'for immediate and daily use, and was therefore ea-'gerly absorbed into the circulation.'

By the combined action and re-action of this enhancement of the prices of corn and labour, aided by the suspension of our cash payments, a temporary depreciation, in the exchangeable value of money, has been produced in this country;—one consequence of which has been an increase in the quantity of our paper currency, partly by its forcing gold out of circulation, and partly (through the enhance-

ment of prices) by its increasing the demand for circulating medium.

And what proves, indisputably, that this depreciation was the result of temporary and particular, and not of permanent and general causes, was the return of the prices of corn to their usual level, uniformly as these causes ceased to operate. Thus, in winter 1798—1799, after the two abundant crops of 1797 and 1798, the price of wheat fell so low as 48s. per quarter: and again, even after the extravagant prices of 1799 and 1800, it fell, in Spring 1804, in consequence of the abundant crops of 1801, 2, and 3, to 49s. per quarter.

Another important conclusion to be derived from the return of the prices of corn to their natural level on the two above-mentioned occasions, is, that the bank restriction, and the increased issues of paper currency, had of themselves no direct effect in raising or keeping up these prices; for, in Spring 1799, when wheat was at 48s. to 49s. the quarter, the suspension had subsisted two full years, accompanied with a considerable increase of paper currency; and, in Spring 1804, it had subsisted seven years, and the paper circulation had nearly attained its highest amount, yet, on both occasions, the price of wheat was

under, rather than above its natural standard, the importation price.

Since the year 1804, the return of these low prices of wheat must have been effectually prevented by the operation of the corn law of that year, whatever had been the state of our crops.

Note.—From the year 1773 to the year 1791, wheat was permitted to be imported from foreign countries, when the price in this country reached 48s. the quarter.

By act passed in 1791, the importation of wheat from foreign countries was prohibited till the price reached 50s., and then only on payment of a duty of 2s. 6d., falling to 6d. when the price reached 54s.

In 1804, the prohibition was extended till the price in this country should reach 63s. the quarter, and then only on payment of a duty of 2s. 6d., falling to 6d. when the price should reach 66s. the quarter.

This alteration in 1804 was equal to about $35\frac{1}{2}$ per cent. on the price prior to the year 1791, or 24 per cent. on 52s. 6d., the price and duty from 1791 to 1804.

SECTION III.

On the Question—Whether a depreciation has taken place in our Currency, independently of the real depreciation of Gold and Silver?

THE only certain proofs of a depreciation of currency, are,

1*st*, A nominal rise in the price of gold and silver bullion, when estimated in the depreciated currency, commensurate with the extent of the depreciation: thus, supposing a guinea of the debased money to be worth only ten shillings and sixpence, the price of gold, in place of 3*l.* 17*s.* 10½*d.* per ounce, its standard mint price, would rise to 7*l.* 15*s.* 9*d.*; and this increased price would remain stationary so long as the depreciation of the currency continued.

2*dly*, A difference on our exchanges with foreign countries, of the same nature and extent, betwixt the nominal value of our depreciated currency and their standard coins, as betwixt our currency and bullion at home. Thus, supposing our currency to have fallen to one half of its standard value, in purchasing a bill on Hamburgh, the pound sterling in place

of exchanging for 34*s.* 3½*d.* Flemish, the par as reported by the Bullion Committee, would have exchanged only for 17s 1¾*d.* Besides the difference from this cause, however, the course of exchange is subject to another source of fluctuation, in the state of the balance of payments. These payments are transacted by means of bills of exchange; and if there happens to be at any time a surplus of bills on the Continent in the London market beyond the amount of foreign drafts on London, the bills on the Continent will be sold in the London market at a small discount, the limit to which is the actual expense of bringing over the payment in specie from the Continent. In the same way, if the bills on the Continent are insufficient to balance the bills on Britain, a premium will be given at London for bills on the Continent, but which will also be limited to the expense of sending over payment from this country to the Continent, so long as our currency is convertible into gold and silver. This expense is, in either case, from 3 to 6 per cent., which, accordingly, is the usual extent of the fluctuations in the course of exchange. Thus, taking the par of exchange with Hamburgh at 34*s.* 3½*d.*; the usual fluctuations are from 32*s.*, being about 6 per cent. against Britain to 36s., being about 6 per cent. in favour of Britain. When the course of exchange rises or falls beyond these limits, it must be either owing

to a depreciation of the currency of one or other of the opposite countries, or to some local impediment to the transmission of specie.

In so far as the transactions betwixt this country and the continent of Europe relate to the interchange of articles of luxury or convenience, the balance of the trade betwixt them will be always nearly equal; for a very unequal balance of such trade cannot permanently exist. But if, through the failure of the corn crops in Britain, a great importation of corn takes place from the Continent, at an enhanced price, this must create a balance against Britain, which her ordinary exports of mere articles of luxury or convenience, for which there may be no unusual demand on the Continent, cannot compensate. In this case the balance must be paid in bullion, and the exchange will experience a fall equal to the expense of sending it over; and if the balance is very large, the increased demand for bullion will raise the price of it here.

A depression in our exchange with the Continent may also be occasioned by an increase of our foreign expenditure, appearing in the shape of bills or drafts on this country in the foreign markets; but, in so far as this expenditure is supplied by the transmission of specie from this country, it will not affect the exchange.

Supposing no depreciation of our currency, it is obvious that the mere scarcity of gold and silver in this country, accompanied by the suspension of our cash payments, must have the effect of removing the usual limit to the depression of the exchange, when the balance of payments happens to be against us; more especially if the sale of our other goods in the foreign markets is at the same time interrupted. Instead, therefore, of being limited to 6 per cent., the depression of the exchange may extend to 10, 15, or even 20 per cent. before it can be restored; and, in proportion as the difference increases against us, will the demand for bullion increase, and a premium nearly equal to the difference on the exchange will come to be given for it. Thus, supposing that, in such a state of the exchange, a person in London going to Hamburgh wishes to purchase a bill on that place for 100*l.*, he finds that it cannot be got without paying a premium of 15*l.* for it. Had the bank been paying in specie, he could have been under no difficulty in procuring 100*l.* in exportable foreign coins, so as to have saved this discount on the exchange; but this not being the case, he tries to purchase gold from private dealers; and the premium he can afford to give for it will be equal to that on the bill of exchange, *minus* the expense and risk of carrying over the specie: and this rise on the price of bullion must

necessarily hold out a strong temptation to the melting, and illicit exportation of our coin.

If no depreciation exists in our currency, it is evident, that no sooner will the balance of payments be turned in our favour, than all symptoms of this extraordinary depression in the exchange will vanish, and the price of bullion will return to its usual level. But if a depreciation exists in our currency, the restoration of a favourable balance on our transactions with foreign countries will not restore the par of the exchange; and both the nominal rate of the exchange, and the nominal price of bullion, must continue to be affected by the depreciation, until that depreciation is corrected.

Having said thus much in general, it will be proper next to examine the actual state of the exchange, and prices of bullion, since the suspension of our cash payments.

It appears from the table subjoined, No. 2, that, in the beginning of the year 1797, when the bank restriction took place, the exchange with Hamburgh was from 3 to 4 per cent. in favour of London, and the price of gold 3*l.* 17*s.* 6*d.* per oz., or fourpence halfpenny under the mint price. From spring 1797 to spring 1799, the exchange was generally from

9 to 11 per cent. in favour of London, and gold at or under its mint price. So far, therefore, from our paper currency being under depreciation in this period, it was bearing a high premium against the specie of the Continent. In harvest 1799, the exchange turned against Britain evidently in consequence of the failure of that year's crop, and continued so till autumn 1802, when it was nearly restored to par. During this period, the depressions frequently exceeded the expense of the transmission of specie, and a rise in the price of gold bullion was the necessary consequence. Throughout the year 1803, the exchange was in general at or about par, and, in 1804 and 1805, was usually about 4 per cent. in favour of Britain; and, with some inconsiderable fluctuations, it continued at or about par from the year 1805 till harvest 1808; and, in the mean time, the price of gold had continued stationary at 4*l.* per oz.

During all this period, our paper currency was convertible into foreign specie, without any loss, which could not have been the case had it been in a state of depreciation: and, with regard to the small rise of 2¾ per cent. on the price of gold, this seems to have been altogether a voluntary measure of the bank, noways connected with any excess of our paper currency.

Since harvest 1808, the exchange has again become unfavourable, and the price of gold has risen. But these circumstances may be sufficiently accounted for, by a reference to causes unconnected with the supposed excess and depreciation of our paper currency. These are, 1. The partial failures of our wheat crops in 1808 and 1809, and consequent large importation of bread-corn.—2. A great importation of Baltic stores in 1808 and 1809.—3. The high freight paid to foreigners, chiefly in specie, most of our importations being in foreign vessels.—4. The remittances for the maintenance of our armies in Spain and Portugal:—and, Lastly, the severe measures adopted by France to prevent our goods from being imported into the Continent; and the occupation of Holland by France. The four first of these causes must have turned the balance of payments against this country; and the last prevented that balance from being discharged in the usual way. A great depression on the exchange, and demand for gold for exportation, must, therefore, have been the necessary consequence. Even the fluctuations of this depression, however, have been such as to evince, that the depression itself did not arise from any depreciation of our currency. Thus, though in July 1809 the exchange was 16 per cent. against this country, and the same in January 1810, yet in April and May 1810 it was only 9½ per cent., being not

more than 3½ per cent. beyond the expense and risk of transporting specie.

Neither has the increase of our paper currency been such as to warrant the conclusion, that the fall in the exchange could have been any ways owing to that cause. Thus the whole increase, on the circulation of Bank of England notes, of 5*l.* and upwards, from the year 1802 to the year 1810, does not exceed one million, or one-fourteenth part of the circulation in 1802, which is by no means equal to the real rise in the prices of provisions and labour in the intervening period, independent altogether of the increase of trade. The greatest increase in the Bank's circulation has been in one and two pound notes: but as these have only come in place of guineas withdrawn from circulation, chiefly since the fall of the exchange in 1808, they cannot be considered as having increased the circulation of the country.

So that, on the whole, it seems abundantly evident, that the state of our foreign exchanges, and price of gold, afford no real proof of the exisence of any actual depreciation of the currency of this country.

On the other hand, a favourable state of our foreign exchange, though inconsistent with a depreciation of our currency, is noways inconsistent with

the existence of a real depreciation of gold and silver in this country.

Let it be supposed, that, without altering or debasing our coin, it could be brought about, either by internal regulations or accidental circumstances, that corn and labour, in this country, should be made exchangeable for double the usual quantity of the precious metals they were in use of being exchanged for.

If no such alteration had taken place in other countries, and if the trade in bullion remained free, it is obvious that this would immediately lead to the exportation of bullion from this country. It would also lead to an extended use of the precious metals in our manufactories, the infallible consequence of all which would be the melting of our coin, notwithstanding any prohibition to the contrary, insomuch, that it would very soon be found altogether impossible to continue the use of gold and silver as the medium of circulation.

Let it next be supposed, that the use of specie, as the medium of circulation, shall be laid aside, and its place supplied with a paper money, which, though not exchangeable for specie, yet commands the confidence of the country in an equal degree as if it were so exchangeable, and is by law declared a legal

tender of payment. The consequence of these measures, in so far as they regarded foreign countries, while the depreciation and exportation of our specie and bullion were going on, would be nearly the same as if a gold mine had been discovered in this country; and the exportation would tend to raise, instead of depressing the exchange.

Let it be further supposed, that the commodities which we are in use to export to the Continent, consist either of articles of manufacture, the prices of which, from the improvement of machinery, are little affected by the expense of labour, or of colonial produce raised by means of labour, the price of which has not been materially increased, and that from the circumstances of the other states of Europe there is no rival nation to compete with us in these commodities, our goods will continue to find sales in the Continental markets, so as to create a general balance of trade in favour of this country, notwithstanding the depreciation of money here: and, while that is the case, it is perfectly clear, that though we may have very little gold and silver in circulation, and no more bullion than what is necessary for our manufactures, yet our exchanges, real as well as nominal, with the Continent, will continue to be in our favour, in the same manner as if we were paying in specie. Neither would the circumstance, here

supposed, have the effect of raising the market price of bullion in this country, seeing that, as long as the exchange was at or above par, bullion could be commanded by our paper currency, from foreign countries, at the mint price.

And these circumstances are not essentially different from those that have taken place in this country, within the last sixteen years.

It may be further observed, on this branch of the subject, that a depreciation of our currency alone could have given no tendency to the precious metals to flow out of this country, as they have shewn a strong tendency to do, without regard to the state of the exchange; seeing a depreciation of currency implies no depreciation of bullion, which, on the contrary, would rise in its nominal price, along with all other commodities, and might continue equally dear here as in other countries; so that there would be no temptation to export it.

It has been said, that the supposed depreciation of our currency has been occasioned by the bankers having issued an excessive quantity of their notes. But it has never yet been once attempted to be explained, how such an excessive issue could take place; or, if it did take place, how it could be maintained

in circulation: and a few observations will suffice to shew, that, under the present mode of issuing our paper currency, this can never happen.

No bank issues its notes but in the way of loans or advances, to be repaid at short dates, on bills discounted, or other securities.

In the case of the country banks, all the notes issued by them more than the circulation will absorb, are instantly returned upon them, and must be provided for, either by specie, by Bank of England notes, or by drafts on their bankers in London, in whose hands funds are impressed for the purpose, or kept ready at command, in the shape of Exchequer bills, or other transferable securities; so that no excess of currency from their issues can possibly take place.

With regard, again, to the Bank of England, its notes are continually returning upon it, for the purpose of retiring discounted bills, or in repayment of its advances in anticipation of taxes,—no payments being received by the bank but in its own notes, or in specie; so that the daily return of its notes must, on the average, be nearly equal to its daily issues. It is evidently against any man's interest to keep more of these notes in his possession than he has immediate occasion for; and, as they cannot be obtain-

ed from the bank but at a certain expense, no more will be drawn out than what is wanted for immediate use. But if there should happen, at any time, to be more of them drawn out by the merchants, or by the government, than can be employed in circulation, this excess will be immediately perceived in the diminished demand for fresh discounts. The superfluous quantity will speedily find its way into the hands of the private bankers, and by them will either be employed in retiring bills due at the bank, or in loans to the merchants, which would in so far lessen the applications for discounts at the bank; so that, in this way, its issues of notes can never permanently exceed the real employment for them: and it would surely be absurd, in these circumstances, to suppose that any person could be laid under the necessity of disposing of the bank's notes at an undervalue, by way of getting rid of an unprofitable commodity, while they must be in constant and daily request, in order to retire the bills impledged for their return.

It is equally a mistake to suppose, that the issues of the provincial banks depend upon, and are proportionate to, the issues of the Bank of England.

It is no doubt true, that, as the restriction applies only to the Bank of England, the security of the provincial banks rests on the restriction of the Bank of

England; but it does not follow from this, that the issues of the provincial banks must always be proportionate to those of the Bank.

So long as the provincial banks enjoy the public confidence, they will not be exposed to any great demand, either for specie or Bank of England notes. In place, therefore, of keeping Bank of England notes in their coffers, to any great amount, it is the practice among them to establish a credit with a banker in London, on whom they give drafts in return for their own notes, of which the payment is demanded. All these drafts come into the daily clearing account among the London bankers, the balance of which only is paid in Bank of England notes: and it is evident that this balance may be very small, or almost nothing, though the transactions which terminate in it may have been very considerable: and what shews, in point of fact, that the circulation of the country banks depends very little on that of the Bank of England, is this, that the number of the country banks has been greatly more than doubled since the year 1802; and yet the circulation of the Bank of England notes, of *5l.* or upwards, has only increased about one-fourteenth part.

If, while the country bankers had the option of paying in Bank of England notes, these notes were

exchangeable into specie at the Bank of England, the country bankers would be necessitated to keep a large stock, either of these notes or of specie, continually by them, and their issues would be proportionate to that stock; because, in such case, they might be exposed to an extraordinary demand for Bank of England notes to be converted into gold: but, at present, while the Bank of England notes are not so convertible, there can be no just cause for such extraordinary demand, and, of course, no provision will be made for it.

Lastly, it may be observed, that, even admitting the evidence of a depreciation of our currency to its fullest extent, it leaves the fall in the value of money, previous to summer 1808, the existence of which must have been felt by every person, wholly unexplained and unaccounted for; and, since the year 1808, it can only account for the depreciation to the amount of from 6 to 10 per cent.

Note.—Since this was written, the Author has seen Mr Bosanquet's Pamphlet on the subject of the preceding Section; and he is happy to find, that, in the inferences drawn from the state of the Exchange, &c., they in general coincide.

TABLES

ILLUSTRATIVE OF THE PRECEDING

OBSERVATIONS.

TABLE I.

ABSTRACT of the yearly Importation and Exportation of Corn of all sorts. Of the Prices at which the Importation of Wheat was permitted, and the actual Prices of Wheat in England and Wales, from 1700 to 1810, both inclusive.

FIRST PERIOD—from 1700 to 1763 inclusive.

	Total Exportation.	Total Importation.	Excess of Exportation.	Excess of Importation	Importation price of Wheat, including duty.	Average actual Price for England.
	Quarters.	*Quarters.*	*Quarters.*	*Quarters.*		
1700	140,147	239	139,908		L. 3 9 4	L. 2 0 0
1	214,927	21	214,906		3 9 4	1 17 8
2	230,167	1	230,166		3 9 4	1 9 6
3	360,028	52	359,976		3 9 4	1 16 0
4	253,422	2	253,420		3 9 4	2 6 6
5	279,128		279,128		3 9 4	1 10 0
6	389,592	656	388,936		3 9 4	1 6 0
7	224,215	12	224,203		3 9 4	1 8 6
8	238,858	186	238,672		3 9 4	2 1 6
9	536,607	2,232	534,375		3 9 4	3 18 6
1710	122,502	1,260	121,242		3 9 4	3 18 0
1	303,199	19	503,180		3 9 4	2 14 0
2	421,082	1	421,081		3 9 4	2 6 4
3	536,752		536,752		3 9 4	2 11 0
4	481,521	37	481,484		3 9 4	2 10 4
5	349,516		349,516		3 9 4	2 3 0
6	404,865		404,865		3 9 4	2 8 0
7	366,244	62	366,182		3 9 4	2 5 6
8	567,382	21	567,361		3 9 4	1 18 10
9	605,322	320	605,002		3 9 4	1 14 9¼
1720	456,050	254	455,796		3 9 4	1 17 0
1	563,688	445	563,243		3 9 4	1 17 6
			8,239,394			L. 47 18 5½

TABLE I.

FIRST PERIOD—from 1700 to 1763 inclusive.

	Total Exportation.	Total Importation.	Excess of Exportation.	Excess of Importation	Importation price of Wheat, including duty.	Average actual Price for England
	Quarters.	Quarters.	Quarters.	Quarters.		
	Brought	forward	8,239,394			L.47 18 5½
1722	654,471	1	654,470		L.3 9 4	1 16 0
3	526,267	262	526,005		3 9 4	1 14 9
4	525,947	61,798	464,149		3 9 4	1 17 0
5	578,232	2,187	576,045		3 9 4	2 8 6
6	555,669	20	555,649		3 9 4	2 6 0
7	350,083	117	349,966		3 9 4	2 2 0
8	219,064	198,595	20,469		3 9 4	2 14 6
9	174,450	373,655		199,205	3 9 4	2 7 6
1730	331,812	95,612	236,200		3 9 4	1 16 0
1	367,078	19,400	347,678		3 9 4	1 13 0
2	410,737	12,044	398,693		3 9 4	1 6 9
3	719,117	16	719,101		3 9 4	1 8 4
4	759,555	19	759,536		3 9 4	1 17 9
5	490,868	6,449	484,419		3 9 4	2 3 0
6	359,898	286	359,612		3 9 4	2 0 4
7	624,159	42	624,117		3 9 4	1 17 9
8	923,459	29	923,430		3 9 4	1 15 6
9	595,838	80	595,758		3 9 4	1 17 6
1740	243,762	8,553	235,209		3 9 4	2 15 0
1	184,396	158,437	25,959		3 9 4	2 7 0
2	600,297	76	600,221		3 9 4	1 12 0½
3	774,524	24	774,500		3 9 4	1 5 0
4	596,075	75	596,000		3 9 4	1 4 11
5	787,056	24	787,032		3 9 4	1 7 6
6	638,835	4	638,831		3 9 4	1 19 0
7	863,382	27	863,355		3 9 4	1 14 10
8	1,123,953	20	1,123,933		3 9 4	1 17 0
9	1,250.306	431	1,249,875		3 9 4	1 17 0
1750	1,667,778	319	1,667,459		3 9 4	1 12 6
1	1,048,324	2,308	1,046,016		3 9 4	1 18 6
			26,443,081	199,205		L.104 10 11

TABLE I.

FIRST PERIOD—from 1700 to 1763 inclusive.

	Total Exportation.	Total Importation.	Excess of Exportation.	Excess of Importation	Improtation price of Wheat, including duty.	Average actual Price for England.
	Quarters.	*Quarters.*	*Quarters.*	*Quarters.*		
	Brought	forward	26,443,081	199,205		L.104 10 11
1752	886,712	14,629	872,083		L.3 9 4	2 1 10
3	683,244	7,066	676,178		3 9 4	2 4 5
4	795,697	57,047	738,650		3 9 4	1 14 9
5	665,739	2,899	662,840		3 9 4	1 13 9
6	408,170	56,461	351,709		3 9 4	2 5 3
7	80,656	167,301		86,645	law suspended.	3 0 0
8	22,484	64,561		42,077	3 9 4	2 10 0
9	484,916	1,688	483,228		3 9 4	1 19 10
1760	752,434	12	752,422		3 9 4	1 16 6
1	925,119	73	925,046		3 9 4	1 10 3
2	763,070	18,432	744,638		3 9 4	1 19 0
3	661,212	238,248	422,964		3 9 4	2 0 9
			33,072,839	327,927		L.129 7 3
			327,927			

Total excess of exportation	32,744.912
Average annual excess	511,639

Average price of Wheat for these 64 years - - - L.2 0 5

TABLE I.

SECOND PERIOD—from 1763 to 1794.

	Total Exportation.	Total Importation.	Excess of Exportation.	Excess of Importation	Importation price of Wheat, including duty,	Average actual Price for England.
	Quarters.	*Quarters.*	*Quarters.*	*Quarters.*		
1764	675,459	139,931	535,528		L.3 9 4	L.2 6 9
5	457,730	218,031	239,699		3 9 4	2 14 0
6	302,794	247,518	54,276		law suspended.	2 1 6
7	50,481	907,420		856,939	ditto.	3 4 6
8	40,256	649,173		608,917	ditto.	3 0 6
9	119,190	114,273	4,917		ditto.	2 3 1
1770	294,866	124,225	170,639		3 9 4	2 9 0
1	96,573	217,375		120,802	3 9 4	2 7 2
2	61,685	140,651		78,966	law suspended.	2 10 8
3	44,070	520,598		476,528	2 8 0	2 11 0
			1,005,059	2,142,152		L.25 8 2
				1,005,059		

Total excess of Importation - 1,137,093

Yearly average 113,709 Quarters.
Average price of Wheat for these ten years - - L. 2 10 10

1774	51,099	926,174		875,075	L.2 8 0	L.2 12 8
5	191,007	1,163,407		972,400	2 8 0	2 8 4
6	448,801	449,901		1,100	2 8 0	1 18 2
7	315,127	690,033		374,906	2 8 0	2 5 6
8	340,924	417,138		76,614	2 8 0	2 2 0
9	378,116	406,073		27,957	2 8 0	1 13 8
1780	471,819	224,616	247,275		2 8 0	1 15 8
1	317,251	297,864	19,387		2 8 0	2 4 8
2	326,344	141,407	184,937		2 8 0	2 7 10
3	134,159	1,070,960		936,801	2 8 0	2 12 8
			451,599	3,264,853		L.22 1 2
				451,599		

Total excess of Importation - 2,813,254

Yearly average 281,325 Quarters.
Average price of Wheat for these ten years - - L.2 4 1¼

TABLE I.

SECOND PERIOD—from 1763 to 1794.

	Total Exportation.	Total Importation.	Excess of Exportation.	Excess of Importation	Importation price of Wheat, including duty.			Average actual peice for England.		
	Quarters.	*Quarters.*	*Quarters.*	*Quarters.*						
1784	187,395	631,722		444,327	L.2	8	0	L.2	8	10
5	353,433	497,738		144,305	2	8	0	2	1	10
6	359,402	631,662		272,260	2	8	0	1	18	10
7	303,666	664,525		360,059	2	8	0	2	1	2
8	356,555	584,918		228,363	2	8	0	2	5	0
9	513,019	564,576		51,563	2	8	0	2	11	2
1790	312,816	1,046,515		833,699	2	8	0	2	13	2
1	146,743	1,380,436		1,233,693	2	12	6	2	7	0
2	417,390	1,008,401		591,011	2	12	6	2	2	11
3	117,686	1,382,701		1,265,015	2	12	6	2	8	11
4	154,170	1,462,575		1,308,405	2	12	6	2	11	8

Excess of Importation	6,732,700	L. 25	10	6
Yearly average 612,063 Quarters.				
Average price of Wheat for these eleven years - -		L. 2	6	5
Average price for 16 years, 1779 & 1794 inclusive -		L. 2	5	4
Average price for 31 years, 1764 & 1794 inclusive -		L. 2	7	1

Difference on the average of the 16 years, 1779 and 1794 inclusive, and the average of the succeeding 16 years, 1795 and 1810 inclusive, $73\frac{1}{2}$ per cent. on the former.

TABLE I.

THIRD PERIOD—from 1794 to 1800.

	Total Exportation.	Total Importation.	Excess of Exportation.	Excess of Importation	Importation price of Wheat, including duty.	Average actual price for England.
	Quarters.	*Quarters.*	*Quarters.*	*Quarters.*		
1795	18,208	822,831		804,623	L.2 12 6	L.3 14 2
6	38,757	1,875,646		1,836,889	2 12 6	3 17 1
7	74,207	1,146,250		1,072,057	2 12 6	2 13 1
8	82,438	1,295,276		1,212,838	2 12 6	2 10 3
9	89,483	1,008,808		919,325	2 12 6	3 7 6
1800	33,169	2,030,875		1,997,706	2 12 6	5 13 7
1					2 12 6	5 18 3
2					2 12 6	3 7 5
3					2 12 6	2 16 6
4					3 5 6	3 0 1
5					3 5 6	4 7 10
6					3 5 6	3 19 0
7					3 5 6	3 13 3
8					3 5 6	3 19 0
9					3 5 6	4 15 7
1810					3 5 6	5 6 3

Total excess of Importation - 7,843,438 L.62 18 10

Yearly average 1,307,239 Quarters.

Average price of Wheat for these 16 years - - L. 3 18 8

Average price for ten years, 1801 & 1810 inclusive - L.4 2 3½

Ditto for six years, 1805 & 1810 inclusive - - 4 6 10

Ditto for three years, 1808 & 1810 inclusive - - 4 13 7

NOTE.—The accounts of the yearly importation and exportation of Corn having been taken from different sources of information, may not be in every instance minutely correct; but any inaccuracy of this kind can have no effect on the general argument. It was intended to have completed them to the year 1811; but this was delayed for want of the necessary information. There is no reason to believe, however, that the average excess of importation for the years 1801 & 1810 inclusive, has been under the average excess for the years 1795 & 1800 inclusive. Had the usual consumption of the distillery been going on, it must have been still greater.

REMARKS.

1. It will be observed, that the great change by which Britain, from being an exporting, became an importing country of corn, took place at or about the conclusion of the war which terminated in 1763, and was probably the consequence of that war, which contributed more than perhaps any preceding one, to the increase of the wealth and power of the empire.

2. So long as Britain continued an exporting country of corn, the importation price of wheat, however high, had no effect whatever in keeping up the actual price of it: but, so soon as it became an importing country, the importation price had an obvious influence on the actual price. This influence seems to have been greatest immediately after the change took place, probably because a provision for this new demand was not yet regularly established in

the foreign markets. The average price of wheat was, accordingly, higher during the ten years from 1763 to 1773, than for the succeeding ten years from 1773 to 1783, or from 1783 to 1793. This, however, may have been in part owing to the then debased state of the gold coin which was reformed in 1773 and 1774.

3. The excess of our importation over our exportation of corn, seems to have increased in the greatest ratio since the year 1789, the commencement of the troubles in France; and from the enormous amount to which that excess has now arisen, the nominal price of corn in this country must be considered, in a great measure, if not altogether, regulated by the prices at which importation is permitted.

4. Keeping in view the effect of this great change in the circumstances of this country, there seems to be nothing in the price of corn that can warrant the conclusion, that any general depreciation of money had taken place from the year 1700 to 1794; and, assuming the price of wheat as the standard, the value of money must be held to have risen rather than fallen, during the last 31 years of that period.

5. The two great and fundamental errors in our

internal economy, to which the late depreciation of money, and the continued suspension of our payments in specie are to be principally ascribed, seem to have been these.

1. The assumption of the fallacious principle, that to raise, by artificial means, the price of corn, would, by encouraging agriculture, increase production, and ultimately tend to lower the price of corn. This principle appears to have been acted upon in raising the importation prices of corn in the year 1791, and probably had also some effect in again raising these prices in the year 1804.

2. The raising of the nominal price of labour, in order to enable the labourer to pay the enhanced prices of provisions, which may be considered as the necessary consequence of the former. This was first acted upon in the year 1795*; again in the years 1800 and 1801; and, lastly, since the year 1804: and this increased price of labour was, in its turn, made the principal ground for raising the importation prices of corn in 1804. The exactness with which the price of labour has adjusted itself to the enhanced price of corn since 1795, shews clearly the connection betwixt them.

* See Burke's Tract, entitled, Thoughts and Details on Scarcity, written in November 1795.

The obligation to pay in specie was the only check on this mode of depreciating money, and was operating to correct the depreciation which had taken place in 1795 and 1796, when the check itself was removed, in the beginning of the year 1797. So that, although the suspension of our cash payments was not, in itself, the direct cause of the depreciation of money, yet it was the *sine qua non*, without which the depreciation could not have taken place.

6. The alteration of the corn law in 1804 opposes the greatest obstacle, if not an absolute bar, to the resumption of our cash payments: for not only does it infer such a depreciation of money, here, as must give it a strong tendency to leave the country, but it must increase the drain, either of specie or other goods, from this country, by making us pay higher prices for the corn we import, than we otherwise would be obliged to do.

Were it not for our corn laws, the importation would be regular and gradual, and the demand would have comparatively little effect on the foreign markets; but by the operation of our corn law, the demand from this country is necessarily irregular and uncertain; and as, at all events, the existing prices in this country must be high, the foreign merchants are led to demand, and our importing merchants enabled to

give, higher prices than would otherwise have obtained. This effect of our corn law, together with the exportation of our specie, must have contributed greatly to the raising of the price of corn in the foreign market.

7. Corn, as the principal means of subsistence, must always be the ultimate real standard of value; and the chief use of money is to regulate the nominal price of that standard; and in this respect it served as a check to keep that price within limited bounds, till the check itself was removed by the suspension of our cash payments. Since that event, the price of corn has lain under no check, excepting what may arise from the influence of its price in other countries; and this, again, lies entirely under the controul of our importation laws, and has also been prevented from operating by various causes. It seems evident, therefore, that, under these circumstances, to raise the importation prices of corn, is, in so far as the national creditors and moneyed interest are concerned, a measure of much the same nature as to raise the denomination of the coin. The practicability of paying in specie may be considered as the limit, beyond which this mode of raising prices, ought, on no account, to be carried.

It may be further remarked on this subject, that

the enhancement of the price of corn, by means of the importation laws, can ultimately have no effect whatever in encouraging agriculture, as the increased nominal amount of the gross produce will be fully counterbalanced by increased rent, increased taxes, and increased expense of management. Neither will the increase of rent ultimately benefit the landlord; so that, in the final result, the raising of our importation prices of corn can have no other effect, than that of operating, through the depreciation of money, as an indirect tax, exclusively affecting the national creditors and moneyed interest, and as a discouragement to the sale of our manufactured produce in foreign countries.

8. With regard to the effect of taxation, as connected with the depreciation of money, it may be observed, that the proper fund of taxation consists of that part of the national income which goes to the maintenance of luxury. Taxation, in this country, has generally proceeded on this principle; and, in so far as it has done so, it is evident that it could have had little or no effect on the prices either of labour, or the necessaries of life, nor, of course, on the general value of money; and, accordingly, no general depreciation of money seems to have taken place either during the course of the American war, or in consequence of it.

This fund of taxation is derived either (1.) from the profits of skill, and capital actively employed; (2.) From the rent of land; or, (3.) From the interest of money, annuities, or fixed salaries;—all of which ought to bear the burden of the taxes rateably and proportionally, according to the means of the above description respectively attached to them.

In so far as regards the third class, this fund of taxation has been much narrowed by the depreciation of money. But, as to the first and second classes, to judge from their expenditure, the fund of taxation, so far from being impaired, is probably much greater than it was at the commencement of the last war, in the year 1793.

If the above-mentioned principle be well-founded, there can be no just reason for any one of the classes being allowed to shift their share of the burden from their own shoulders, and throwing it upon those of the other; though, it must be admitted, that the depreciation of money has operated greatly to the relief of the first and second classes, at the expense of the third.

9. That the increase of national wealth or capital does not infer any depreciation of money, is clearly

shewn by Dr Smith (Wealth of Nations, Book I. Chap. 2.). The effect of such increase is, not to depreciate gold and silver, but to reduce the profits of capital, or the rate of interest; and the application of the sinking fund merely accelerates the accumulation of capital, and reduction of the rate of interest, but has no effect on the value of money.

10. If, by the re-establishment of a general commercial intercourse with other countries, the prices of corn in this country were to be reduced to the standard of the importation prices, it would speedily be found that the price of labour had adjusted itself to a still higher standard, insomuch that there would be equally just grounds for again raising the importation prices as existed in the year 1804, and to at least as great an extent. But, in the present circumstances of the country, no such measure can be proposed, without the most obvious injustice.

TABLE II.

ABSTRACT of the Average Prices of Wheat; the Course of Exchang with Hamburgh; and the Market Price of Gold, from January 178 to January 1811; and of the Prices of the 3 per cent. Consols, fro January 1792 to January 1811.

The per centage on the Exchange is computed from the par of 34 $3\frac{1}{2}$ *Flemish Shillings to the Pound Sterling, and the right hand figures are decimal parts.*

Dates.		Average price of Wheat per quarter for England and Wales.	Course of Exchange with Hambro'.	Per Centage in favour of London.	Per Centage against London.	Price of standard Gold per ounce.
1780	Jan.	L.1 15 8	34.6	0.6		L.3 17 6
	April,		35.2	2.25		3 17 6
	July,		34.8	1.1		3 17 6
	Oct.		33.10		1.33	3 17 6
1781	Jan.	2 4 8	34.1		0.6	3 17 6
	April,		33.7		2.06	3 17 6
	July,		32.1		6.44	3 17 6
	Oct.		31.11		6.92	3 17 6
1782	Jan.	2 7 10	31.9		7.41	3 17 6
	April,		32.11		4.02	3 17 6
	July,		32.11		4.02	3 17 6
	Oct.		31.8		7.65	3 17 9
1783	Jan.	2 12 8	32.7		4.97	3 17 9
	April,		31.9		7.41	3 18 0
	July,		31.6		8.13	3 18 0
	Oct.		32.9		4.5	3 18 0

Dates.	Wheat per Quarter.	Exchange with Hambro'.	Per Centage in favour of London.	Per Centage against London.	Price of Gold per ounce.	Price of 3 p. cent. Consols.
1784 Jan.	L.2 8 10	33.8		1.82	L.3 18 0	
April,		34.3		0.12	3 18 0	
July,		34.3		0.12	3 17 10½	
Oct.		34.7	0.85		3 17 10½	
1785 Jan.	2 1 10	35.	2.06		3 17 10½	
April,		35.4	3.03		3 17 10½	
July,		35.4	3.03		3 17 6	
Oct.		35.3	2.8		3 17 6	
1786 Jan.	1 18 10	34.10	1.57		3 17 6	
April,		34.11	1.82		3 17 6	
July,		34.6	0.6		3 17 6	
Oct.		34.4	0.12		3 17 6	
1787 Jan.	2 1 2	34.5	0.36		3 17 6	
April,		34.7	0.85		3 17 6	
July,		34.9	1.33		3 17 6	
Oct.		34 11	1.82		3 17 6	
1788 Jan.	2 5 0	35.1	2.3		3 17 6	
April,		35.5	3.27		3 17 6	
July,		35.1	2.3		3 17 6	
Oct.		34.11	1.82		3 17 6	
1789 Jan.	2 11 2	34.11	1.82		3 17 6	
April,		35.7	3.78		3 17 6	
July,		35.7	3.78		3 17 6	
Oct.		35.3	2.8		3 17 6	
1790 Jan.	2 13 2	35.	2.06		3 17 6	
April,		35.6	3.51		3 17 6	
July,		35.7	3.78		3 17 6	
Oct.		35.10	4.5		3 17 6	
1791 Jan.	2 7 0	35.7	3.78		3 17 6	
April,		35.10	4.5		3 17 6	
July,		35.10	4.5		3 17 6	
Oct.		35.4	3.03		3 17 6	
1792 Jan.	2 2 11	34.9	1.33		3 17 6	90½
April,		34.4	0.12		3 17 6	95
July,		34.5	0.36		3 17 6	91
Oct.		34.3		0.12	3 17 6	89½
1793 Jan.	2 8 11	35.3	2.8		3 17 6	76
April,		38.2	11.29		3 17 6	78½
July,		36.5	6.2		3 17 6	77
Oct.		35.8	4.02		3 17 6	75
1794 Jan.	2 11 8	35.10	4.5		3 17 6	70
April,		36.7	6.68		3 17 6	68
July,		36.	4.97		3 17 6	67
Oct.		33.3		3.03	3 17 6	64

Dates.		Wheat per Quarter.	Exchange with Hambro'.	Per Centage in favour of London.	Per Centage against London.	Price of Gold per ounce.	Price of 3 p. cent. Consols.
1795	Jan.	L.2 15 5	34.10	1.57		L.3 17 6	62½
	April,	3 1 2	34.8	1.1		3 17 6	65
	July,	4 1 —	32.3		5.95	3 17 6	67½
	Oct.	3 14 2	32.9		4.5	from	67½
1796	Jan.	4 11 3	33.		3.78	4 4 to	68
	April,	4 18 3	34.10	1.57		4 8	67
	July,	4 1 5	33.7		2.06	3 17 6	59
	Oct.	3 2 2	34.6	0.6		3 17 6	59
1797	Jan.	2 16 —	35.5	3.27		3 17 6	55
	April,	2 9 6	35.6	3.51		3 17 6	51
	July,	2 9 8	36.7	6.68		3 17 10½	52
	Oct.	3 3 5	37.10	10.3		3 17 10½	50
1798	Jan.	2 11 2	38.2	11.29		3 17 10½	48
	April,	2 11 3	37.8	9.82		3 17 10½	49
	July,	2 10 8	37.7	9.58		3 17 10½	47½
	Oct.	2 9 2	37.9	10.06		3 17 9	51
1799	Jan.	2 8 9	37.8	9.82		3 17 9	53
	April,	2 16 1	36.10	7.41		3 17 9	55
	July,	3 3 10	35.2	2.55		3 17 9	62
	Oct.	3 16 1	32.		6.68	3 17 9	60
1800	Jan.	4 12 7	31.6		8.13	from	61½
	April,	5 8 3	31.8		7.65	4 — —	64
	July,	6 14 5	32.3		5.95	to	63
	Oct.	4 19 6	32.2		6.2	4 6 —	64
1801	Jan.	6 19 —	31.5 to 29.8		8.37		60
	April,	7 14 8	31.4		8.61	4 3 —	61
	July,	6 9 8	31.7		7.89		60½
	Oct.	4 6 6	32.8		4.73		68
1802	Jan.	3 15 6	32.		6.68		68
	April,	3 9 10	33.1		3.51	4 3 6	77
	July,	3 6 10	33.3		3.03		74
	Oct.	3 1 10	33.5		2.55		68
1803	Jan.	2 16 9	34.3		0.12		70
	April,	2 16 5	34.2		0.36		64
	July,	2 19 7	34.2		0.36		54
	Oct.	2 14 6	34.5	0.36			53
1804	Jan.	2 12 3	34.8	1.1		4 — —	55
	March,	2 9 7	35.	2.06		4 — —	56
	April,	2 10 9	35.10	4.5		4 — —	56
	July,	2 12 1	35.8	4.02		4 — —	56
	Oct.	3 5 10	35.8	4.02		4 — —	57
1805	Jan.	4 6 2	35.6	3.51		4 — —	60
	April,	4 11 11	35.5	3.27		4 — —	58
	July,	4 13 5	35.7	3.78		4 — —	59
	Oct.	4 4 11	33.9		3.03	4 — —	58

Dates.		Wheat per Quarter.	Exchange with Hambro'.	Per Cent-age in favour of London.	Per Cent-age against London.	Price of Gold per ounce.	Price of 3 p. cent. Consols.
1806	Jan.	L.3 15 11	33.8		1.82		59
	April,	3 14 5	34.2		0.36		60
	July,	4 1 10	34.5	0.36			62
	Oct.	4 — 2	33.6		2.3		61
1807	Jan.	3 16 9	34.8	1.1			59
	April,	3 16 10	34.10	1.57			62
	July,	3 13 —	34.5	0.36			62
	Oct.	3 10 5	34.4	0.12			62
1808	Jan.	3 9 5	34.4	0.12			63
	April,	3 10 1	34.6	0.6			66
	July,	4 1 1	35.5	3.27			68
	Oct.	4 6 5	33.		3.78		66
1809	Jan.	4 10 4	31.3		8.86		65
	April,	4 14 1	31.		9.58	from	68
	July,	4 8 1	28.8		16.4	L. 4 9	68
	Oct.	5 8 10	29.		15.42	to	68½
1810	Jan.	5 1 6	28.9		16.15	L. 4 13	68½
	April,	5 5 4	31.		9.58		69½
	July,	5 13 4	30.2		12.02		69
	Oct.	5 1 1	30.10				66
1811	Jan.	4 14 7	26.6		22.7		66

In stating the exchange, the Author has purposely avoided taking into account the occasional variations in the relative values of gold and silver, as these appear to be of such an undefined or accidental nature as to be unfit to be assumed as the ground of any general conclusions: and, at any rate, it does not appear that the doing so could have any ways tended to invalidate the hypothesis maintained by him.

REMARKS.

1. The effect of the depreciation, in increasing the floating capital, and making money plentier in the market, will be apparent from observing the fluctuation of the three per cents. after January 1795.

From the beginning of the war, in 1793, they had continued gradually to fall till January 1795; but from that time they gradually rose, along with the price of corn, till spring 1796, when they again sunk with the price of corn, till they reached their lowest point of depression in summer 1798. They did not much recover till spring 1799, when they again rose with the price of corn, and continued high during the whole of the year 1800, and afterwards till the peace.

In like manner, after the renewal of the war in 1803, they shewed little signs of recovery, till the high prices commenced in harvest 1804; since which, their fluctuations have corresponded pretty regularly with those of the price of corn.

Had it not been for the Bank restriction, the dearth of corn would have tended to depress, in place of raising, the price of the public funds.

2. It will be observed, that the fluctuations in the price of gold bullion have uniformly been dependent on the state of the exchange. Thus, the first instance in which it rose above the mint price was during the depressed state of the exchange in 1783; the second instance during the depression of the exchange in 1795; the third instance in 1800, 1801, and 1802; and the last instance in 1809 and 1810.

3. The unusually high state of the exchange during the years 1797 and 1798, may, perhaps, have been owing to the lessened demand for specie in this country, after the suspension of our cash payments. So that the difference on the exchange might extend to the expense not only of the transmission, but of the re-transmission of bullion, or to double its usual limit.

4. The drain of specie which preceded the suspension, may be accounted for by the effect of the real depreciation of money which had taken place in 1795 and 1796, with at least as much probability as by the practice of hoarding, through the fear of invasion, the cause to which it was ascribed at the time, and which it is difficult to conceive could be carried to such an extent as materially to affect the circulation of the kingdom.

TABLE III.

ABSTRACT of the amount of Bank of England Notes in circulation.

	L. 5 and upwards, including post bill.	Under L. 5	Total.
Average of 1790 - -	L. 10,217,360		L. 10,217,360
1791 - -	11,699,140		11,699,140
1792 - -	11,349,810		11,349,810
1793 - -	11,493,125		11,493,125
1794 - -	10,699,520		10,699,520
1795 Jan. 31 - -	12,715,310		12,715,810
Feb. 28 - -	14,017,850		14,617,850
Mar. 28 - -	10,444,359		10,444,350
April 24 - -	12,040,110		12,040,110
May 30 - -	10,316,600		10,316,600
June 27 - -	10,661,920		10,661,920
July 24 - -	11,420,350		11,420,350
Aug. 29 - -	11,176,280		11,176,280
Sept. 26 - -	10,775,130		10,775,130
Oct. 31 - -	11,082,120		11,082,120
Nov. 28 - -	11,503,110		11,503,110
Dec. 24 - -	11,696,270		11,696,270
1796 Jan. 29 - -	10,746,650		10,746,650
Feb. 27 - -	10,647,720		10,647,720
Mar. 26 - -	10,287,180		10,287,180
April 30 - -	11,661,760		11,661,760
May 28 - -	10,303,630		10,303,630
June 25 - -	9,882,190		9,882,190
July 30 - -	9,788,480		9,788,480
Aug. 27 - -	9,427,510		9,427,510
Sept. 24 - -	9,409,050		9,409,050
Oct. 29 - -	9,744,510		9,744,510
Nov. 26 - -	9,914,970		9,914,970
Dec. 31 - -	9,204,500		9,204,500
1797 Jan. 28 - -	10,024,740		10,024,740
Feb. 25 - -	8,640,250		8,640,250

Prior to March 1797, there were not any Bank of England Notes in circulation under the value of £5.

TABLE III.

ABSTRACT of Bank of England Notes in circulation.

		£5. and upwards, including post bill.	Under £5.	Total.
1798	Feb. 1 - -	L.11,855,430	L.1,541,910	L.13,397,340
	May 1 - -	13,160,030	1,956,060	15,116,090
	Aug. 1 - -	10,397,340	1,928,090	12,325,430
	Nov. 1 - -	10,696,100	1,814,950	12,511,050
1799	Feb. 1 - -	12,066,310	1,680,010	13,746,320
	May 1 - -	12,774,340	1,663,500	14,437,900
	Aug. 1 - -	12,279,540	1,600,000	13,879,540
	Nov. 1 - -	12,513,900	1,671,650	14,185,550
1800	average above -	- - -	- - -	15,000,000
1801	average - -	13,454,367	2,715,182	16,169,549
1802	- - - -	13,917,977	3,136,477	17,054,454
1803	to 1807, average about	- - -	- - -	17,000,000
1808	May 1 - -	13,429,640	4,062,260	17,491,900
	Aug. 1 - -	13,521,380	4,123,290	17,644,670
	Nov. 1 - -	13,255,460	4,211,710	17,467,170
1809	Feb. 1 - -	13,226,860	4,333,200	17,560,060
	May 1 - -	14,137,410	4,509,470	18,646,880
	Aug. 1 - -	14,649,090	5,162,240	19,811,330
	Nov. 1 - -	14,481,100	5,468,190	19,949,290
1810	Jan. 7 - -	13,864,950	5,663,080	19,528,030
	20 - -	14,699,090	5,914,400	20,613,490
	Feb. 1 - -	15,040,360	5,894,040	20,934,400
	23 - -	14,775,580	5,857,500	20,633,080
	Mar. 3 - -	14,795,110	5,922,900	20,718,010
	April 7 - -	14,703,580	6,104,170	20,807,750
	May 5 - -	15,143,910	6,161,020	21,304,930
	12 - -	15,009,290	6,114,540	21,123,830

REMARKS.

1. It will be evident, on comparing the preceding Table with the Table, No. 2, that, although for the first two years after the Bank restriction, the quantity of its notes was greatly increased, yet this had no effect whatever in raising prices. On the contrary, the prices, both of provisions and of the public funds, continued gradually to fall till spring 1799, when the price of corn was first raised, by the unfavourable prospect of that year's crop; which shews that the mere increase of our paper circulation was not the efficient cause of the rise of prices.

2. The most considerable increase of the Bank's circulation took place in the years 1800, 1801, and 1802; after which it continued nearly stationary till 1809, excepting in the articles of 1*l.* and 2*l.* notes, which have gone on progressively to increase as guineas have been withdrawn from circulation, and melted or exported. During 1809 and 1810, the Bank's circulation again underwent a considerable

increase: but this, also, chiefly in the small notes, owing to the depressed state of the exchange draining the country still more of its gold; and partly, also, to the increased exertion in our manufacturing industry and export trade, to which our great foreign expenditure acted as a powerful stimulus.

3. The real increase of the total circulation of the country is not to be measured by the increase of bank notes; but allowance must be made for the specie withdrawn.

If the following estimate be correct, it will be found, that the absolute increase of circulating medium since the Bank restriction, has been much less than what is commonly supposed.

Circulation in 1794.

Paper—Bank of England - - -		L. 11.000,000
Other Banks, say 250, at 35,000*l.* each		8,750,000
		L. 19,750,000
Specie, at the lowest estimate by the Earl of Liverpool, viz.		
Gold - - -	L. 25,000,000	
Silver - - -	5,000,000	
		30,000,000
		L. 49,750,000
Deduct Bankers Deposits, say -		7,750,000
Real circulation in 1794 -		L. 42,000,000

Circulation in 1810.

Paper—Bank of England - - -		L. 20,000,000
Other Banks, 735, at 35,000*l.* each		25,725,000
		L. 45,725,000
Specie—Gold - -	L. 3,000,000	
Silver - -	4,000,000	
		7,000,000
		L. 52,725,000
Deduct Bankers Deposits, say -		2,725,000
Real circulation in 1810 -		L, 50,000,000

Making an addition of eight millions to the total circulation in 1794.

In place of this addition implying any excess in our circulating medium, the wonder is how the business of the country can now be carried on with so small an addition to it: for not only has there been a great increase of our trade since the 1794, but the effect of the corn-law of 1804, alone, must have been to raise the prices of provisions and labour about 24 per cent. above their prices in 1794; and, of course, must have given employment to a corresponding addition to our circulating medium, and this altogether independent of the other accidental causes by which the prices of provisions and labour have been kept up, generally far above the standard of the corn-law of 1804. So far, therefore, from the circulating medium having been issued to excess, it is evident that it must have been managed with much greater economy than formerly.

4. It will be observed, on comparing the two Abstracts, No. 2 and 3, that the state of our foreign exchanges has been noways connected with the increase or diminution of our paper currency. Thus, after its depression in 1795, the par of the exchange was restored in the beginning of 1796, without any restriction of our paper currency. A restriction, indeed, afterwards took place; but this was owing to an entirely different cause, the run on the Banks, in

the end of 1796 and beginning of 1797, after the exchange was restored.

Again, after the great and long continued depression in 1800, 1801, and 1802, the par of the exchange was restored, under an increasing rather than a diminishing paper circulation in 1803 and 1804.

The reduction of our paper circulation, indeed, never can be the means of restoring the exchange. The only way of correcting an unfavourable exchange, is by increasing our exportations relatively to our importations, which a low rate of exchange holds out a strong inducement to do; and this may be done with equal effect, either by exporting bullion or other goods. The export of bullion generally occasions a demand on the banks for gold; and this may induce them to restrict their paper circulation; but such reduction is evidently the consequence of adopting that method of restoring the exchange, and not the means of restoring it.

If a reduction, or great restriction of our paper circulation were now to be adopted, as the means of enforcing the re-importation of gold, this must necessarily expose the trading part of the community to great inconvenience and distress; and gold might be re-imported, but under circumstances of great na-

tional disadvantage, as our goods would be given away for probably less than half their value in exchange for it. But, in place of restoring the par of the exchange, the importation of gold, like the importation of any other commodity, would increase the balance against us, and must have the effect of depressing the exchange, as much as the exportation of our gold had the effect of supporting it. In the present circumstances of the country, however, any measure of this kind seems to be altogether impracticable.

5. Were it declared that the banks should pay in specie against a given time, they would be induced, from a regard to their own safety, to call in their notes before that period arrived. But they could do so without putting specie in their place. They have only to discontinue their issues for a few months, and the whole of their notes would be returned to them; not for payment in specie, but to retire the bills and other obligations, on the security of which they were issued. The distress, therefore, would be more felt by the public than by the banks, and most justly; because it was by them, and not by the bankers, that the gold and silver were abstracted from circulation, and melted or exported.

TABLE IV.

COMPARATIVE values of the Annuities payable to the National Creditors in the year 1797, and in the year 1810, converted into Wheat; the first according to the average price of six years, 1789 & 1794 inclusive; and the second according to the average price of six years, 1805 & 1810 inclusive.

The amount of the annuities payable to the national creditors as they stood in January 1797, including the interest of the loan of £18,000,000 in December 1796, but exclusive of the interest of the debt redeemed, was about £14,000,000.

	Quarters.
Which converted into wheat, at the average price of the six years, 1789 & 1794 inclusive, being £2 : 9 : 2 per quarter, is equal to - -	5,694,915

The amount of the annuities to the national creditors payable in 1810, exclusive of those redeemed, may be stated at about £23,000,000.

Which converted into wheat, according to the average price of the six years, 1805 & 1810 inclusive, being £4 : 6 : 10 per quarter, is equal to -	5,297,504
Difference in favour of the annuities 1797 -	397,411

To which might be added 529,750 quarters for the tenth retained in 1810 in name of property tax.

This result does not proceed from inability to pay the national creditors according to the real value of their annuities, as well as to defray the expence of the war, since it could be shown, that the unmortgaged surplus produce of the capital and industry of the country and its dependencies, is certainly at least as great as it ever was at any former period.

These annuities, and the interest of money due from one individual to another, exist merely in the shape of burdens, general or special, on the active capital, and industry of the country. The real capital consists of its lands, houses, machinery, agricultural, mining and manufacturing stock, and the stock of goods on hand prepared for consumption: and it is evident, that, in proportion as the value of the national annuities and interest of money is diminished, the real capital and industry must be relieved.

The circumstance of the depreciation of money having been progressive, must have given a great stimulus to industry, as rising prices, from whatever causes produced, never fail to do.

To form an estimate of its effect in increasing floating capital,—let the real capital be stated at 2000 millions, and the depreciation to go on at the rate of 5 per cent. per annum;—here is a nominal addition to the fund of credit of the country of 100 millions yearly.

The exportation of our specie must have also considerably increased the resources of the country.

CONCLUSION.

Upon the whole of what is before stated, it may be concluded,

1. That the depreciation of money within the period of the last sixteen years, has originated from the peculiar circumstances, and internal regulations of this country, pointed out in the second branch of the foregoing observations, and not from general causes.

2. That this depreciation, which has affected gold and silver, as well as our currency, has given a tendency to these metals to flow out of this country, as well as to an increased consumption of them in our manufactures; and the same cause has presented an impediment to their return from the continent of Europe, when the exchange happened to be favourable to this country.

1

3. That the suspension of our cash payments has no otherways contributed to the depreciation of money, than by removing that check on the nominal prices of corn and labour, which a medium of circulation of limited extent must have necessarily imposed, and by admitting of the addition of a considerable part of our gold and silver to the stock of the rest of Europe; and that the increase of our paper currency has been merely the effect, 1. Of the enhanced prices of labour and commodities:—2. Of a real increase of our trade:—and, 3. Of the abstraction of gold and silver from circulation.

4. That the extension of our paper circulation has had no effect whatever in producing the present unfavourable state of the exchange with foreign countries: but the measure of the depression is materially affected by the disuse of specie in the circulation of this country; and the present high price of bullion is the effect of the demand for it, occasioned by the low rate of the exchange.

5. That the experiment of resuming our payments in specie cannot be tried with any chance of success, while the exchange with foreign countries is unfavourable; and that, therefore, the first step to be taken, is to restore the par of the exchange by encouraging exportation, and discouraging importation,

and by a reduction of our foreign expenditure, so soon as circumstances will permit: but the reduction of our paper circulation would, of itself, have no such effect.

Lastly, supposing the exchange favourable, the practicability of our resuming, and persevering in, the use of specie in our internal transactions, will depend not so much on our ability to procure the necessary supplies of gold and silver, as on the difficulty of reducing the enhanced prices of corn and labour which have taken place under the system of restriction of our cash payments; and this difficulty has been greatly increased by the alteration of our corn importation laws in 1804.

THE END.

APPENDIX.

ABSTRACT of the fiar prices of the best Wheat, Barley and Oats for the County of Edinburgh—from 1640 to 1809.

NOTE.—The Boll of Wheat is equal to - .5199 } English Quarters.
And the Boll of Barley or Oats to .7573 }
The first being about one half and the second about three-fourths of the English Quarter.

Years.		*Wheat p. Boll.*			*Barley p. Boll.*			*Oats p. Boll.*		
1640	- -	L.—	11	$1\frac{4}{12}$	L.—	10	0	L.—	7	$2\frac{8}{12}$
41	no return	—	—	—	—	—	—	—	—	—
42	- -	—	16	8	—	16	$1\frac{4}{12}$	—	—	—
43	- -	—	14	$5\frac{4}{12}$	—	11	$1\frac{4}{12}$	—	9	$5\frac{7}{12}$
44	- -	—	13	4	—	10	$6\frac{8}{12}$	—	8	$10\frac{8}{12}$
45	- -	—	11	$1\frac{4}{12}$	—	8	$10\frac{8}{12}$	—	6	8
46	- -	—	11	8	—	8	4	—	6	$1\frac{4}{12}$
47	- -	—	18	4	—	12	$2\frac{8}{12}$	—	10	$6\frac{8}{12}$
48	- -	1	1	$1\frac{4}{12}$	—	16	8	—	15	$6\frac{8}{12}$
49	- -	1	2	$2\frac{8}{12}$	—	18	4	—	16	8
50	- -	1	2	$2\frac{8}{12}$	—	17	$9\frac{4}{12}$	—	16	8
51	- -	1	0	10	—	18	4	—	16	8
52	- -	—	18	4	—	16	8	—	12	6
53	no return	—	—	—	—	—	—	—	—	—
54	- -	—	7	$6\frac{6}{12}$	—	7	9	—	4	$5\frac{4}{12}$
55	- -	—	11	8	—	11	$1\frac{4}{12}$	—	5	$6\frac{8}{12}$
56	- -	—	11	$11\frac{4}{12}$	—	10	$6\frac{8}{12}$	—	6	$11\frac{9}{12}$
57	- -	—	11	$1\frac{4}{12}$	—	10	$6\frac{8}{12}$	—	6	8
58	no return	—	—	—	—	—	—	—	—	—
59	- -	—	18	4	—	10	$6\frac{8}{12}$	—	10	10
60	- -	—	18	4	—	10	$6\frac{8}{12}$	—	10	10
61	- -	—	18	4	—	15	0	—	10	$6\frac{8}{12}$
62	- -	—	15	0	—	12	6	—	7	$9\frac{4}{12}$
63	- -	—	15	0	—	11	8	—	7	$9\frac{4}{12}$
64	- -	—	11	8	—	9	$5\frac{4}{12}$	—	5	$6\frac{4}{12}$
65	- -	—	12	6	—	9	2	—	6	4
66	- -	—	10	$6\frac{8}{12}$	—	10	0	—	6	8
67	- -	—	9	2	—	10	10	—	6	4
68	- -	—	10	6	—	10	0	—	6	8
Carried forward		L.19	3	$0\frac{1}{2}$	L.15	14	$8\frac{8}{12}$	L.11	9	11

Years.			*Wheat p. Boll.*			*Barley p. Boll.*			*Oats p. Boll.*		
Brought forward			L. 23	5	1	L. 19	13	2	L. 15	12	$6\frac{4}{12}$
1737	-	-	L. —	13	4	—	11	8	—	8	10
38	-	-	—	11	0	—	9	10	—	6	10
39	-	-	—	13	7	—	12	0	—	9	4
40	-	-	1	2	11	—	17	8	—	14	6
41	-	-	—	14	2	—	11	$1\frac{4}{12}$	—	9	4
42	-	-	—	11	0	—	11	$1\frac{4}{12}$	—	7	6
43	-	-	—	10	0	—	9	4	—	6	6
44	-	-	—	11	10	—	10	6	—	9	4
45	-	-	—	15	6	—	11	8	—	11	0
46	-	-	—	14	0	—	11	8	—	9	4
47	-	-	—	13	8	—	11	2	—	7	8
48	-	-	—	14	4	—	11	4	—	9	0
49	-	-	—	13	4	—	10	6	—	9	0
50	-	-	—	13	6	—	10	7	—	9	4
1751	-	-	—	16	10	—	12	0	—	11	8
2	-	-	—	15	0	—	13	0	—	12	0
3	-	-	—	15	0	—	14	0	—	10	6
4	-	-	—	12	8	—	10	5	—	9	0
5	-	-	—	13	8	—	11	0	—	11	0
6	-	-	1	2	0	—	16	8	—	15	0
7	-	-	—	18	9	—	14	9	—	12	0
8	-	-	—	15	0	—	10	6	—	8	8
9	-	-	—	13	4	—	10	5	—	8	0
1760	-	-	—	13	6	—	10	3	—	8	4
1	-	-	—	14	0	—	10	6	—	9	0
2	-	-	—	19	6	—	14	3	—	15	0
3	-	-	—	16	8	—	14	0	—	10	6
Total			L. 43	13	2	L. 36	5	$0\frac{8}{12}$	L. 29	0	$8\frac{4}{12}$
Average of 62 years			L. —	14	1	L. —	11	$8\frac{1}{4}$	L. —	9	$4\frac{4}{12}$

Years.	*Wheat p. Boll.*	*Barley p. Boll.*	*Oats p. Boll.*
1764 - - -	L. 0 19 0	L. 0 13 9	L. 0 12 2
5 - - -	1 0 0	0 16 6	0 14 6
6 - - -	0 19 6	0 18 0	0 14 3
7 - - -	1 1 0	0 14 0	0 14 0
8 - - -	1 0 0	0 11 9	0 10 0
9 - - -	0 18 0	0 13 0	0 11 6
1770 - - -	0 18 6	0 13 9	0 12 0
1 - - -	1 1 0	0 16 3	0 14 8
2 - - -	1 2 6	0 17 6	0 14 6
3 - - -	1 2 3	0 17 4	0 14 0
Sums	L. 10 1 9	L. 7 11 10	L. 6 11 7
Average of these 10 years	L. 1 0 2	L. 0 15 $2\frac{1}{4}$	L. 0 13 $1\frac{3}{4}$
1774 - - -	L. 1 1 0	L. 0 16 3	L. 0 13 6
5 - - -	0 19 0	0 13 4	0 10 0
6 - - -	0 18 6	0 12 0	0 10 0
7 - - -	1 0 0	0 13 9	0 10 6
8 - - -	0 18 0	0 14 0	0 11 0
9 - - -	0 14 6	0 11 3	0 9 0
1780 - - -	1 0 0	0 14 0	0 11 0
1 - - -	1 0 6	0 13 0	0 10 0
2 - - -	1 5 0	1 1 0	0 17 0
3 - - -	1 0 0	0 18 0	0 14 6
Sums	L. 9 16 6	L. 7 6 7	L. 5 16 6
Average of these 10 years	L. 19 0 $7\frac{3}{4}$	L. 0 14 $7\frac{3}{4}$	L. 0 11 $7\frac{3}{4}$
1784 - - -	L. 1 0 0	L. 0 17 0	L. 0 14 0
5 - - -	1 0 9	0 14 0	0 11 0
6 - - -	0 19 6	0 16 6	0 14 3
7 - - -	1 1 4	0 15 6	0 13 4
8 - - -	1 1 10	0 13 6	0 10 6
9 - - -	1 3 11	0 15 3	0 12 0
1790 - - -	1 3 0	0 17 4	0 14 10
1 - - -	1 0 $7\frac{6}{12}$	0 18 3	0 14 $4\frac{1}{2}$
2 - - -	1 1 0	0 19 11	0 15 0
3 - - -	1 3 $4\frac{9}{12}$	0 18 $10\frac{1}{2}$	0 15 $6\frac{1}{2}$
4 - - -	1 4 9	0 19 9	0 15 0
Sums	L. 12 0 $1\frac{1}{2}$	L. 9 5 $10\frac{1}{2}$	L. 7 9 10
Average of these 11 years	L. 1 1 11	L. 0 16 $10\frac{3}{4}$	L. 0 13 $7\frac{1}{2}$

Years.	*Wheat p. Boll.*	*Barley p. Boll.*	*Oats p. Boll.*
1795 - - - -	L. 2 3 0	L. 1 3 0	L. 0 19 6
6 - - - -	1 5 9	1 2 6	0 14 4
7 - - - -	1 3 3	0 17 7	0 13 6
8 - - - -	1 2 7	0 17 4	0 14 0
9 - - - -	2 0 9	1 13 1	1 9 4
	L. 7 15 4	L. 5 13 6	L. 4 10 8
Average of these 5 years	L. 1 11 0¾	L. 1 2 8½	L. 0 18 1½
1800 - - - -	L. 2 18 9	L. 2 0 7	L. 1 13 2
1 - - - -	1 15 0	1 5 6	0 16 6
2 - - - -	1 6 6	0 17 6	0 15 6
3 - - - -	1 6 3	0 18 6	0 17 6
4 - - - -	2 2 0	1 10 0	0 18 6
5 - - - -	1 10 0	1 3 9	0 18 9
6 - - - -	1 18 0	1 6 0	1 0 0
7 - - - -	1 12 6	1 10 0	1 7 0
8 - - - -	2 7 6	1 10 0	1 4 0
9 - - - -	2 2 0	1 10 6	1 0 9
	L. 18 18 6	L. 13 12 4	L. 10 11 8
Average of these 10 years	L. 1 17 10	L. 1 7 4	L. 1 1 2
Amo[t]. of Prices from 1763 to 1773	L. 10 1 9	7 11 10	6 11 7
from 1773 to 1783	9 16 6	7 6 7	5 16 6
from 1783 to 1794	12 0 1½	9 5 10½	7 9 10
	L. 31 18 4½	L. 24 4 3½	L. 19 17 11
Average of these 31 years	L. 1 0 7	L. 0 15 7½	L. 0 12 10
Amo[t]. of Prices from 1795 to 1799	L. 7 15 4	L. 5 13 6	L. 4 10 8
from 1800 to 1809	18 18 6	13 12 4	10 11 8
	L. 26 13 10	L. 19 5 10	L. 15 2 4
Average of these 15 years	L. 1 15 7	L. 1 5 8½	L. 1 0 1¼

Difference on the averages of the 31 years, 1764 and 1794 inclusive, and the 15 years, 1795 and 1809 inclusive, $72\frac{8}{10}$ per cent. of the former.

COMPARATIVE PRICES of Wheat, Barley, and Oats—converting the Wheat Measure to that of Barley and Oats—the proportion of the former to that of the latter being as 2236.111 to 3257.226.

	Wheat p. Boll.			*Barley p. Boll.*			*Oats p. Boll.*		
From 1640 to 1700 - -	L. 1	1	$0\frac{3}{4}$	L. 0	12	$3\frac{3}{4}$	L. 0	9	0
1700 to 1763 - -	1	0	6	0	11	$8\frac{1}{4}$	0	9	$4\frac{4}{12}$
1763 to 1794 - -	1	9	$11\frac{1}{2}$	0	15	$7\frac{1}{2}$	0	12	10
1794 to 1809 - -	2	11	10	1	5	$8\frac{1}{2}$	1	0	$1\frac{3}{4}$

Thus, from 1640 to 1700, the price of Barley was 58 per cent. of the price of Wheat.

From 1700 to 1763, about 57 per cent.
1763 to 1794, about 52 per cent.
1794 to 1809, about 50 per cent.

Oats were, in the first period, about 43 per cent. of the price of Wheat.
In the second period, about $45\frac{1}{2}$ per cent.
In the third period, about 43 per cent.
And in the fourth period, about $39\frac{1}{5}$ per cent.

So that, upon the whole, the rise in the price of Wheat has exceeded that in the price of Oats and Barley, and both nearly in the same proportion, which may be accounted for from Wheat having become more and more the food of the labouring part of the community.

Printed by C. Stewart.

-6-

THE PRINCIPLES

OF

CURRENCY AND EXCHANGES

APPLIED TO

The Report

FROM

THE SELECT COMMITTEE

OF

THE HOUSE OF COMMONS,

APPOINTED TO

INQUIRE INTO THE HIGH PRICE

OF

GOLD BULLION,

&c. &c.

LONDON:

PRINTED AND SOLD BY

W. WINCHESTER AND SON, 61, STRAND.

Dec. 1, 1810.

THE PRINCIPLES

OF

CURRENCY AND EXCHANGES,

&c.

THE House of Commons have ordered the Report of the Bullion-Committee to be printed. By so doing they have enabled the public to avail itself of the various information which it contains, and to form a judgment on the recommendations with which it concludes. These recommendations are now waiting the final decision of Parliament. On a subject usually so little studied, yet at this time so interesting to every part of the community, an examination of some of the leading principles of currency and exchanges may contribute somewhat to a just decision; and, however much the opinions resultiug from such examination may differ from those of the Committee, they cannot be considered as in the least degree disrespectful to the Members of which it was composed.

 The

The subjects proposed to the Committee for consideration were

The high price of gold bullion,

The state of the circulating medium,—and

The state of the exchanges between Great Britain and foreign parts;

On which, after entering into a detail of principles, and of the evidence submitted to them, they came to the following conclusions:—

"That there is at present an excess in the "paper circulation of this country, of which "the most unequivocal symptom is the very "high price of bullion; and, next to that, the "low price of continental exchanges.

"That the excess is to be ascribed to the want "of a sufficient check and control in the issues "of paper from the Bank of England; and origi-"nally to the suspension of cash-payments, "which removed the natural and true control.

"And they add, that, upon a general review "of the subject, they are of opinion, that no "safe, certain, and constantly adequate provision "against an excess of paper-currency, either oc-"casional or permanent, can be found, except in "the convertibility of all such paper into specie."

After the most careful examination, I presume to differ from the Committee in each of these conclusions:—I shall therefore, according to the

plan

plan of examination which I have stated, first submit such other opinions as appear to me more justified by existing appearances; and then explain, as distinctly as I can, on what ground I venture to dissent from such high authority.—My own opinions are—

That there is at this time no excess in the paper circulation of the country.

That there is a sufficient check and control on the issues of paper, both from the Bank of England and from country banks. And

That the currency of the country is in no degree depreciated by the use of paper.

That the high price of bullion is owing to the present state of the foreign commerce of the country combined with its foreign expenditure, entirely unconnected with the extent of its paper circulation. And

That our present unfavourable exchanges are in no way caused by our paper-currency.

These opinions range themselves into two classes, the three first being governed by the principles which affect circulation, and the two last by those which regulate exchanges. I shall accordingly examine them separately under those heads.

PART I.

PART I.

That there is at this time no excess in the paper circulation of the country; that there is a sufficient check and control on the issues of paper, both from the Bank of England and country banks; and that the currency of the country is in no degree depreciated by the use of paper.

THE first money which circulated in any country must have been, as our *coin* is, altogether composed of the precious metals, or of some other article intrinsically valuable; but, in almost every modern State where regular laws prevail, the currency has received a mixture of paper, which is not valuable in itself, but is only the representative of what is so. In the early stages of society, the seller of any article of use or convenience felt he was not secure in parting with it, unless, at the moment, he received in return an equivalent of some article of like intrinsic value; and thus money, during this rude state of things, was, of necessity, composed of some material in universal estimation: but, in the progress of time,

time, as the force of established laws became more and more felt and relied upon, men became more and more satisfied that a pledge or written engagement, promising the payment of a specific sum at a fixed time, was, during the existence of such laws, nearly of the same value as an actual transfer, at the moment, of gold or silver, or any other article of intrinsic worth, and was often more convenient.

Within this period, individuals and establishments, seeing the economy of specie which such written notes gave rise to in single transactions, began, under the sanction of their general character for wealth and prudence, not only to grant such notes in all their own dealings, but to make them pass in the intercourse between other men. These notes (at first in England termed goldsmiths' notes) engaged to pay to the holder of them, on demand, a certain portion of the coin of the country; and it was apparent, that, so long as the parties entering into such contracts were capable of fulfilling them, their notes or obligations were of equal value with the precious metals; and, in some respects of convenience, more desirable.

If an absolute assurance could be given with every note, whether of the Bank of England or of an individual, that the holder could at command convert it into real property of the value

which

which it purports to bear, it must be owned that, at least for all the larger payments, it would be preferred to gold or silver. If, for every transaction of one thousand pounds, 952 guineas were to be carried, as would often be required, to a considerable distance, to be there told over, and each piece examined separately, as to weight and purity, how would the great operations of the State and of commerce be embarrassed? Although in a less degree, something of the same disadvantage still attends the use of gold for smaller payments; while, in the use of paper, not only we are saved the trouble of a more tedious reckoning, but we know there can be no deterioration in passing from hand to hand: and in case of loss, either by fraud, by violence, or by accident, there are easier means of remedying the injury.

It is not pretended that a paper currency, or one principally composed of paper, is wholly free from objection. I admit that it is more liable than coin is to be counterfeited; and that it gives, perhaps, too great facility to men who issue notes without capital, as some country bankers certainly do, to impose upon the lower classes of the community in their neighbourhood. It is not, however, the immediate object of the present Inquiry to go into a com-

parison

parison of the advantages or disadvantages of paper-currency, contrasted with gold and silver: that point may, I think, fairly be considered as having been decided by the relative quantities which, till 1797, the public voluntarily held of each. The leading object of the present section is to ascertain one fact,—whether there be an actual excess in that part of our circulation which is composed of paper?

To decide on this we must first agree on the duties to be performed by money. By money, in the sense in which I here use it, I mean the circulating medium, or currency of the country, whether it be composed of the precious metals, of paper, or a mixture of both. The duty of this mass, be it pure or mixed, is solely to facilitate and render convenient the payments, the exchanges, and, generally, the transactions of the community: but, to perform such a duty, it is necessary that there should be some limit to its amount: it is indispensable that no set of men should be able, by issuing paper for their own advantage, to increase the quantity of this useful instrument, until its essential quality, that of a measure of value, is lost;—and happily such is the case. The restriction of the Bank, which is supposed by some persons to have broken down the only guard against excess, by

suspending

suspending its payments of cash, has still left in full force another more powerful limitation imposed upon the circulating medium of the country by one of the first principles of our nature—our self-interest.

To illustrate this, I ask,—I ask my reader, what sum of money, what value in the circulating medium of the country, whether of gold and silver, or of notes, he keeps in his pocket, or in his house?—The answer must necessarily be, from one, a little more; from another, a little less;—but, from the richest to the poorest, from the highest to the lowest condition, there will be admitted to exist this governing rule—a constant desire that the actual sum so kept should be as little as the convenience or supposed necessities of the individual will admit. All have so apparent an interest in this rule, that its existence must find a ready assent in every mind. Too large a value in what is transferrable by mere possession not only exposes our persons and our homes to unnecessary risk, but the value thus left in some hazard is kept at an actual sacrifice of the advantage which we forego in its not being usefully employed. Generally speaking, one of our first cares, on receiving large sums of money, is how again to dispose of them to our advantage; and if we are more regardless of lesser sums, it is because

because they form a part of that limited mass of which we anticipate the use. A care so regulated occupies the whole district in which we live, and the whole kingdom. Like the general anxiety which Nature has implanted in us for the preservation of our health, we have a desire as uniform, though perhaps not so powerful, for the care of our fortunes; and if, occasionally, there be found an exception in the passion for hoarding, which sometimes seizes distrustful minds, the pity and surprise which such mistaken avarice excites are only new proofs of the universal operation of a more reasonable economy.

But, admitting that individuals thus act under the influence of prudential considerations, are there not, I shall be asked, merchants, trading companies, corporations, and the Government itself, who all contribute in adding to the circulating currency of the country, and in increasing it to an indefinite amount? I admit that they all do extend the limits of circulation; but all are governed by the same or a greater degree of economy in the sums they keep at their own cost and risk. The Government (we see by the Report) keeps no useless money in the Exchequer; and it will easily be believed that merchants and traders, who deal in money for no other end

than

try, carry them on for the profit they yield; and their profit clearly must depend upon the extent of paper they send forth. Is there, then, no limitation? Is it owing to the moderation of their desires that these men, instead of issuing only forty-five millions, do not issue four hundred?—Fortunately, it is not to such moderate desires that we owe our security against redundancy: the check of a saturated circulation interposes; and the least excess beyond the wants of the public, estimated by each individual for himself, flows back upon the Bank of England or the country banker who occasions it.

The way in which this takes place is different in London from what it is in the country. In the latter situation, the methods to which bankers have recourse for introducing their notes into circulation are loans to their neighbours on bonds, on bills discounted; and sometimes, though rarely, on mortgage. The borrower, in retnrn for the accommodation of such loans, receives the sum, with which he is indulged, in the notes of the lending banker, who thus, in fact, advances only his credit, and not his money, and it is the interest of both parties, especially of the lender, that these notes should not return soon for payment; they therefore circulate at first from favour, till at length cus-

tom,

tom, and the regularity with which they are always acquitted when brought for payment, gives them, and succeeding issues, the ready acceptance of the whole neighbourhood. In the unequal contest between gold and paper which hence ensues, it is easy to foretel which will at last prevail: every accommodation and inducement is held out by the parties interested to diffuse the latter, while the former has no advocate but its intrinsic value, which, while great confidence in paper prevails, is little regarded. What then follows? The range of this bank, we have supposed, which is confined to the circle in which the partners are known, are observed, and are trusted, becomes filled with their notes to the extent of the former circulation of metals, joined perhaps to the notes of some former establishments; and gold, no longer wanted here, but still possessing qualities of universal attraction, finds its way to other districts, and finally to other countries. This done, the measure is full; the banker can, by no assiduity or skill, force upon his neighbourhood more of his notes than there was before of specie and of other notes: should he attempt to do so, they will return incessantly upon him, and he will be called upon for their value in what is of universal, not of local, request; that is, he will be called upon for

gold,

gold, or for Bank of England notes; which last, although not absolutely of universal value, are so in England, when compared with the paper of any county or district.

But I have stated that there are two sources whence notes proceed—and, admitting that the circulation of provincial banks is thus limited by liability to payment in Bank of England notes, what check is there on that great and powerful body, the Bank itself? Although of a different kind, there is one possessing equal powers of control which restrains here also,—I put out of view the respectability of the Directors of the Bank, whose character secures us against any attempt at a forced circulation. I likewise leave out of my argument the original duties imposed upon that establishment, which was first formed, not for the mere purpose of profit to the undertakers, but for the convenience and support of commerce and commercial men.—Absolving the Directors from these obligations, I will, for the sake of argument, suppose them entering into the management of their trust with all the eagerness of private adventurers, and seeking only the extension of their profits in the diffusion of their notes. I will add to this, what is the fact, that, since the Suspension Act, they are placed in a more favourable situation for effecting a redundant issue than country bankers ever were, be-

cause, as I have shewn, the latter must pay any excess they may have sent forth in the paper of some other establishment, esteemed more solid than their own, which cannot be the case with the Bank of England.—Still the circulation even of this apparently unfettered establishment is limited: its managers cannot induce the population within their sphere to carry in their pockets, or hoard in their bureaus, more of bank-notes than each man anticipates the want of for his own purposes; and that this universal limitation exists here, as it does every where, becomes apparent when we trace the mode in which the issues of the Bank are made.

They are of three kinds:—The first consists of advances to Government of their own notes in anticipation of some of the established taxes.—The second consists in issuing to the public their notes in payment of the public dividends.—The third is the fund destined for commercial accommodation, and consists of the like notes issued in discount of bills.—In one or other of these channels all Bank of England notes find their way into circulation; and a very little consideration will shew how necessarily, and how soon, they must all find their way back into the bank from whence they issued.

As the public Exchequer is, by law, alike open

to bank-notes and to the gold and silver coin of the country, and as scarcely any of these precious metals now mix in the payments of the metropolis, it follows, that, in the course of the year, the anticipations to Government on account of taxes must necessarily be repaid to the Bank by a return of its own notes thus paid as duties into the public Exchequer, and afterwards transmitted to the Bank.

In the same manner the public dividends are issued from and returned to the Bank: from five to six millions every quarter are thrown into circulation from this source; but, though thus sent forth, the notes of which these issues are composed cannot remain out above a certain length of time. Before the expiration of the same quarter, the duties and taxes, which are to provide the means of paying the next issue of dividends, must find their way into the Exchequer, and from thence must without delay be transmitted to the Bank, thus occasioning an absorption equal to the late effusion.

The last mode which the Bank employs for diffusing its notes is the discount of bills;—this operation, as is generally known, consists in advancing to merchants and traders the amount of bills which have a limited term (not exceeding sixty-five days) to run, and which the wants

of

of the parties make it necessary for them to turn into money before the period of payment arrives.—The sum thus issued, it is believed, amounts to ten or twelve millions; be it what it may, it is evident that the whole of the bills so discounted and transferred into the hands of the Bank will become due in two months, that they will then be sent out for payment, and that as many notes will be received by the Bank in their discharge, and be thus withdrawn from circulation, as were issued by that body at the time of their discount.

But may not the sum thus issued in payment of dividends and in anticipation of taxes become so enormous, that, joined with the issues on discounted bills, the aggregate may be redundant without the means of relief which holders of country notes possess, in having the power to demand payment in other currency? This cannot be: above a million of notes are every week returned to the Bank in discharge of bills discounted, and are thus altogether withdrawn from circulation; above a million, it is true, are again usually sent forth upon other bills discounted; but they are advanced on fresh applications occasioned by public wants, and the amount is accordingly continued the same, or experiences an increase or a diminution exactly corresponding to

those wants. This applies to every similar period; in every ten weeks, that is, five times in every year, the public, by forbearing to desire new advances of notes, have the power to suppress one half of the Bank's circulation. During all this time, too, the Exchequer is affording the same protection against excess: in every thirteen weeks above fifteen millions of notes are withdrawn from circulation in payment of contributions and taxes; and thus, four times a year, the public have, through *this* channel, the means of closing its transactions with the Bank to the extent of the remaining half of its circulation. It therefore appears, that should any distrust of the Bank's good conduct ever be excited, or should any rival to its present universal circulation ever be established, it is possible for the community at any time to recover payment of every note issued by that body within three months.

What is thus possible, in an extreme case, is possible and practised every day, to a limited extent. Whenever the quarterly payments of the public dividends, or any other cause, throws an unusual number of notes into circulation, the Bank feels the demand commonly made to it for issues upon discount immediately reduced. At such times the depositories of mercantile men being overcharged with bank-notes, the owners

seek for productive employment of the excess in discounting bills; and the industry which the interest of individuals inspires, added to the greater latitude and convenience which their rules admit of, in many important respects, will always insure to them, in preference to the Bank, this means of investing their surplus money. Exactly, therefore, by so much as the excess of its notes in the hands of the public at any moment amounts to, the Bank will immediately be abridged of its usual power of diffusion.

In this manner the portion of our currency which is of paper expands with the expansion of the operations it has to perform, and collapses as these operations become less numerous or of less value; and thus it is never redundant, nor ever deficient in amount. In this respect it is infinitely preferable to gold, which cannot be increased by the wants of the public; and which, depending on foreign influences, is liable to be often inconveniently reduced, and sometimes to be almost annihilated (as we now see it is) by our foreign exchanges turning against us. Yet this convenience arising from the use of paper the Committee would take away, and they recommend as a measure of precaution, preparatory to the Bank resuming payments in gold, that part of its circulation of paper should be abridged. Should such ~~accommodation~~ be adopted, the
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consequence would necessarily be, that the public would either experience the embarrassment and inconvenience of a deficient medium for their daily transactions, or, following the practice of the country, they would be obliged to have recourse to the notes of private bankers to supply the void.

With such a control, then, as exists in our habits of economy, and with such additional limitations as I have just shewn are imposed by their own interest on the Bank of England and country bankers, it seems unnecessary to adduce other arguments to prove that there is no excess in the circulating medium of the country. If any other evidence be required, it may, I think, be found in a comparison of the actual circulation in 1797 (which was exempt from all imputation of redundancy) with that of the present time.

In this comparison I shall omit entirely the whole circulation of country banks. The Report justly remarks, " that the same check, which the " convertibility into specie under a better sys- " tem provides against the excess of any part " of the paper circulation, is, during the present " system, provided against an excess of country " bank

" bank paper, by its convertibility into Bank of " England paper."—The alleged superflux, then, must be found in the issues of the Bank of England; and this I shall now examine.

Referring to the Report, page 25, I find that the average amount of bank-notes in circulation in May last, when the amount was at the highest, was

	In Notes of £5, and upwards,	In Notes under £5,
	14 Millions.	6 Millions.
I find, also, that, previous to the restriction of 1797, the sum of notes of £5 and upwards was from 10 to 11 millions; I will take the average ··········	$10\frac{1}{2}$ Millions.	
And that of notes under that value there were		None.
	$3\frac{1}{2}$ Millions.	6 Millions.

Thus shewing an increase in thirteen years of six millions in notes under £5, and three millions and a half in notes of a higher value. Of the first description, (those under £5,) the Committee admit " that a *part* must be considered as " being introduced to supply the place of the

" specie

" specie which was deficient at the period of " suspending cash-payments ;" but this admission is evidently insufficient. In considering what void is filled up by small notes, our concern is not with the degree of deficiency of gold at the time of suspension, but with the actual amount of the void at this moment, after thirteen years of great waste by melting and exportation. At the time when the Bank ceased to pay gold, the proportion of the precious metals in our payments was still great, compared with its present amount; and accordingly we see, in the document referred to, that the whole issue of small notes in the first two years was under two millions; by regular progression the sum increased to 3, to 4, to 5, until now it has reached to 6 millions; but the experience of every man in the habit of witnessing the money transactions of the capital will, I think, tell him that gold, in the same or in a much greater proportion, has gradually disappeared; and that now, so far from a *part* of this new description of notes being sufficient, the whole of it is unequal to supply the decrease of specie in the last thirteen years, during a great part of which there have been such strong temptations to melt it down.

It appearing then that the substitution of notes for guineas in our lesser transactions is a mere con-

version of our currency from one kind of circulating medium to another, and not an addition to its amount, it follows that the whole of the excess (if there be any) of Bank of England paper is to be found in the class of notes which are above the value of five pounds :—this increase, or this excess, has, in the period referred to—that is, in the last thirteen years—amounted to three millions and a half.

I have stated, that, in the unimpeached times which preceded the restriction, the notes of the Bank of England in circulation amounted to between ten and eleven millions; and in those days there also was seen in use that proportion of guineas which has been banished by the smaller notes. These, I have shewn, there is every reason to believe, amounted to as much as the notes which now supply their place—six millions ;—many circumstances lead me to think they amounted to more : taking them, however, at the computation I have made, the mixed circulation of London before 1797, in gold and Bank of England notes, could not be less than sixteen millions and a half. It is now twenty millions, exclusive of the small portion of gold which yet remains, being an increase of about one-fourth.

But in the same period has there been no

change

change whatever in the condition of society? has there been no addition to the population within the sphere of the Bank's circulation? has there been no greater number of commercial transactions to adjust, or larger public revenue to remit into the Exchequer? In each of these, singly, I think I see almost a sufficient demand to draw forth the additional sum in dispute; and I must have recourse to a suggestion of the Committee, "that the notes are of late more economised in "great transactions," to account for the fact, that this increase is not greater. Some of these points, which I have touched on as necessarily involving an increased use for Bank paper, admit of more certain calculation; these all warrant my position, that the increase we witness is not more than is necessary for the extended functions it has to perform. The issues for the public service, and the emissions from the Bank in dividends, have each risen much above a fourth; and while these great operations in the capital are thus inviting an increase of notes by our increased occasions, above seven hundred country banks, which formerly held in gold the sum which they deemed it prudent to keep as a deposit in their command, now retain that portion in Bank of England paper, thus attracting a great permament issue of bank-notes to districts to which they never reached before. It

is difficult to form any conjecture of the sum thus locked up; but, stating it so low as one thousand pounds for each house, we find, in a single general measure, one-fourth of the alleged excess accounted for.

The increase of wealth and population in London and its neighbourhood, where bank-notes almost exclusively circulate, does not admit of a like certainty of calculation; but the great towns, for so they are, which have been added to the northern and eastern parts of the City and Westminster, and the increase of villages in every direction, as well as the crowded appearance of our streets and markets, must satisfy us of the increased number of candidates for the currency in use. But not only is the number of persons greater, but a large proportion have greater concerns to adjust; not only there are more considerable merchants, more bankers, more agents, more dealers in every species of property, in the period under consideration; but each man's transactions are numerically and actually increased.

He has, in most instances, more rent to pay, more taxes, and more for the purchase of most articles of consumption; while, on the other hand, there is an equal increase in his receipts. In the upper ranks of society, except to those who unfortunately have only fixed incomes, there are

every

every where increased rents of land, increased profits of trade; while, in the lower ranks, there are increased wages in every employment. When I take all this into view, I cannot think that the increase of one-fourth in the circulation of this prosperous and busy district exceeds that just demand which, I still hold, is regulated by each man's view of his own convenience.

I think I have shewn the existence of a restricting principle in our nature and habits, which, by limiting the quantity of money in every man's pocket or possession to the amount he finds necessary for his daily exchanges, limits, by consequence, the whole circulation of the realm. —I have shewn how this principle operates in the limits it imposes on the two great sources of paper-currency, the Bank of England and country banks,—and I have shewn, by a comparison between 1797 (a time of acknowledged purity of system) and the present day, that the Bank of England has not increased its issues beyond the amount they would have naturally reached had payments in cash never been suspended.

But the Committee, not placing (as I think) sufficient weight on these considerations, decide "that no safe, certain, and constantly adequate "provision against an excess of paper-currency,

"either

"either occasional or permanent, can be found, "except in the convertibility of all such paper "into specie." Let us shortly examine this position:—

Taken in its utmost extent, it would lead to a practical impossibility. If, in times of the greatest abundance of specie, the public, from any cause, had called upon the Bank, and upon every country banker, for the sum declared in their notes to be held on the usual condition of repayment on demand, the Bank of England and the country banker must have been alike incapable of fulfilling the letter of their engagements. The Bank, even in times when its engagements only amounted to about ten millions, when there was much more than that sum in specie in the kingdom, and when its credit was as yet unquestioned, found, in 1797, that it had pledged itself to a promise which it was unable to fulfil; and the Legislature was obliged to interpose, by a suspension of the established law, and by exempting it from the obligation of paying in specie. What then was the actual degree of convertibility of paper before the Restriction Act? It was something greater than sufficed for common and ordinary occasions on one hand, and less than was necessary for the extreme of popular alarm on the other. The

truth

truth is, as the times become more secure, and more confidence prevails, there will always be a greater proportion of paper; and this has been uniformly the case in the last century, till now, when little else is seen in use. Happily we have not lately experienced, except in the short alarm of 1797, a doubtful state of public security. Should any such state of things, or any internal dangers, unfortunately arise in this country, our regular laws being suspended, our mutual confidence being banished, gold and silver, these so much desired metals, will reappear; but they will come, in such supposed case, not as tokens of plenty and security, but as proofs that want of confidence prevails; and that once more, as in early times, the seller of any article will feel no security but in receiving at the moment another article of like intrinsic value from the buyer.

It is clear, then, that whether now, or before the restriction of 1797, the convertibility of paper into gold beyond a very limited extent never existed. But if it is not convertible into gold, is it therefore of no value? is there nothing of intrinsic worth into which those who are fearful of its security may convert it in the temporary absence of this one article? Yes, into every thing that men desire, or that gold can purchase; and, when or-

dinary times return, it will again be exchangeable into gold itself, as if the present interruption had not happened. Gold, it must be remembered, is but one of the many articles which minister to our comfort or convenience: in the poorest times of our history, we, perhaps, had proportionably the greatest quantity of it, because there was then least dependence on the force of laws, and fulfilment of written obligations; but, taking any moment since the Revolution, there never were twenty-five millions in circulation in the country. How small, then, is this portion of our wealth, which we so much regard, compared with the great mass of two or three thousand millions, which we enjoy in lands, in houses, in merchandise, in shipping, in manufactures, and in every thing that constitutes wealth. If we have reason to be satisfied that the issuers of corporate or private notes possess a sufficient portion of these articles, of intrinsic worth, which the law will compel the conveyance of to us, when required, why should we be thus tenacious of payment in gold, which the next moment it would be our business not to hoard or to enjoy, but again to send forth in purchase of some one or other of these very objects we now so much set at nought?

Practically speaking, men have always acted on this conviction; and have, on no emergency of late years, save that of 1797, demanded gold

in

in their dealings: and although, in theoretical discussions, we are pleased with a supposed power of calling for our debts in the precious metals, it is obviously impossible to exercise that power to any extent. However much in theory we may be pleased to contemplate the pure system of convertibility into gold, we can have no proof more convincing of the public being satisfied with other security than we saw in the effects of the suspension of the Bank's payments in coin; a measure as sudden as it was unprecedented; one, too, adopted at a moment of general alarm from other causes, but which never for an hour rendered the notes of that body of less ready acceptance.

Had the paper part of our currency retained its value only by its convertibility into gold, it must have fallen gradually for the last twenty years; during which time the proportion it contains of the precious metals has been declining. In the last ten years, it ought, by this rule, to have fallen above a half; and, judging by the power of conversion it now possesses, a bank-note of one pound ought not to be worth five shillings; yet we see our notes retaining their original credit, commanding every article at their original value, and exchanging for our coin itself in every transaction in which they meet. The truth appears to be, that all excess of paper-currency is restrained by the causes we have stated; and its con-

vertibility

vertibility into gold, in a very small degree, is sufficient for convenience, as well as for preserving it from depreciation. I repeat, then, after assigning my reasons for so thinking, that,

There is no excess in the paper circulation of the country;

That there is a sufficient check and control over the issues of paper from the Bank of England and from country banks; and

That the currency of the country is in no degree depreciated by the use of paper.

At this place it is possible I may be asked, by some person not attending to the scope of this discussion, why I detain the reader with arguments about restrictions and limitations? why I do not appeal to every man's and every day's experience, and shew that the currency of the land will buy as much bread, as much meat, and as much of every necessary of life now, as it did thirteen years ago. I answer, that this makes no part of my present plan. A Committee of the House of Commons having stated, that a depreciation has taken place in our currency, arising from the specific cause of an excessive infusion of paper, my plan and object is

to shew that there is no such excessive infusion, and that consequently any remedies grounded upon that assumption must be unnecessary. But, consenting to a momentary departure from the immediate question, I am again asked generally, whether the currency of this country has not of late years lost some part of its value, compared with all the other articles which we usually employ it to purchase? I answer, that I feel and believe it has; and that the same nominal income will not now enable the owner to obtain the same comforts and conveniences of life, which it did twenty or even ten years ago. But, to use a homely expression, let us put the saddle on the right horse, and not blame paper for a fault which is, in part, ascribable to gold itself.

Not only in England, but throughout Europe, gold has lost part of its value, compared with commodities; and the presumption therefore is, that that depression which took place after the discovery of America, and which had such manifest effects at that time, still exercises an unobserved, but gradual, power. Writers are divided in opinion as to the degree of this excess in the supply of gold and silver above the wants of Europe; but, considering the care with which such precious articles are husbanded, it is scarcely possible that the annual importation from the new

world

world should not considerably exceed the annual waste and the export to Asia, and thus produce some slight diminution of their value. Another cause for the loss of value which money experiences in this country is the actual increase in price of the articles themselves which it is used to purchase. In a country insulated as ours now is, by political as well as natural circumstances, every increase of population must make an increase in the demand for all the articles which land and industry produce. To raise the former, worse soils and more unfavourable situations must be taken into cultivation; and the produce therefore will be obtained, and must be sold, at an increased expense. To create the latter, men must be paid at a higher rate of wages, because in every state of society, and especially in one progressive, as that of England is, men must receive somewhat above what is necessary for their support; and the expense of that support will be regulated principally by the cheapness or dearness of food. The operation of taxes is analagous to that of an increased price of the produce of land, and has had its full share in the enhancement of prices. The lower orders in every country pressing closely upon the limits which will suffice to nature for their subsistence, it follows, that, after a certain

 point

point, whatever is taken from them in taxes, which are either direct, or which mix in the price of their food or clothing, must be compensated in greater wages or earnings. The taxes, indeed, which reach this humble rank of society in Great Britain, are very light; but, added to the increased price of food, they have every where produced an increase of wages. When then we, on one hand, take into our view the depreciation which, in some given degree, is experienced throughout Europe in the precious metals; and when, on the other, we consider how often increased wages mix and accumulate in every production we pay for;—when, also, we find every article brought to us loaded with the taxes necessary for the State; surely we may see in these very powerful and universal causes, operating upon one hundred and fifty or two hundred millions, at which we may estimate the income of the country, a sufficient explanation of the declining power of money, without seeking for it in the comparatively trifling actual addition, if any, to our circulating medium.

But, in this enumeration of causes which take from the power of money, by enhancing the price of all the articles of life, I am told I have omitted one not only very important in its effects, but one immediately connected with the subject of circulation:—

culation:—it is conceded to me that there is no depreciation of bank-notes, nor any excess in their amount; yet it is maintained that the facility with which they are procured from the Bank, by the mode of discount peculiar to commercial men, calls into existence an increase of purchasers in our markets, whose competition heightens the price of every article!!—This will not be urged by any person acquainted with the subject of *production*;—an increase of capital (which this is to the small degree in which it exists) never raises the price of commodities, but has exactly the opposite effect;—an increase of *consumers*, in any given state of supply, will raise the price of every article which is the object of their wants; and the enhanced price will continue until the stimulus of the increased demand has created a proportionably increased production;—but a competition of consumers is regulated by principles quite distinct from a competition of merchants, who buy to sell again: these must always have in view the price which the article they are in treaty for will obtain at its ultimate market; and, whether there be ten such competitors or a hundred, whether each has carried to the place of competition one hundred pounds of bank-notes or one thousand, he must still be limited, in the offer he can afford to make,

by

by the price which he expects to obtain in selling again. So far, indeed, from this increased capital being the occasion of high prices, it is one of the principal means of keeping them down;—a competition of capitalists, like a competition of manufacturers, restricts their respective profits: at this moment we see so much capital in the country, that, from the want of more productive employment, it is lent to Government on terms much lower than during any former war. In Holland, where individual capital was more general than in any other part of Europe, the profits arising from it were the lowest. A great capital is the principal advantage which any country has in entering into a competition of sales with other nations; it makes roads, it erects machinery, it promotes canals; and, in the exact proportion in which it produces these facilities to production, it brings into our own and into foreign markets every article of necessity or luxury at a diminished price. Such are the effects of capital; and, in a trifling degree, such would be the effect on the price of commodities resulting from an increased degree of accommodation from the Bank, were it not prevented by the restricting bounds which limit circulation.

PART

PART II.

That the high price of bullion is owing to the present state of the commerce of this country with the rest of Europe, entirely unconnected with the extent of the paper circulation; and that our present unfavourable exchanges are in no way caused by our paper currency.

HAVING shewn that the amount of our currency is fixed by an impassable boundary, which precludes the possibility of excess; having shewn that the convertibility of the portion which is paper, into that which is of the precious metals, was always limited; having shewn that (except in times of alarm, when it might be better if there were none) a very moderate degree of convertibility is necessary for the common purposes of life; and appealing to every man's experience, that, in the small, indeed, but frequent exchanges in which gold and silver now mix, paper and these precious metals pass at a like value, thus establishing a standard for the former; it follows, that our currency is not now depressed by the use of paper.

But I am desired to take a guinea, and to melt it down;

down; and I am shewn that the moment it is freed from the stamp of law,—as soon, in short, as it becomes bullion,—it rises in value; and that that portion of gold, which yesterday exchanged only for a one-pound note and one shilling, now exchanges for the same note, and four shillings and six-pence.

This evidently must proceed from one of two causes; it must proceed from the currency of which it late made a part having fallen below its usual value, or from gold in the shape of bullion, which it has now become, having risen above it.

I think I have shewn that it is not in the former of these causes: and when I turn to the other alternative, and see so many circumstances combining to prove that bullion has risen above its ordinary price to the whole extent of the disparity, I am led to express my surprise that any doubts should ever have arisen on the subject.

At this place let me again revert to a few general principles; and guard my reader against what, till this discussion arose, I should have termed the exploded belief, that gold is an unvarying standard. In addition to the many excellencies which gold possesses, of divisibility, of portability, of being less perishable and more pure than any other substance we know of, it possesses also the merit of varying less in value from year to year,

or

or in one place compared with another, than any other metal: but it must not be inferred that gold is therefore subject to no variation; since the discovery of America, and the influx which the mines of that part of the world have poured upon Europe, its value has fallen in this country to one-third: like every other article which ministers to our convenience or comfort, it is bought by human labour; and, being obtained in the new world with less expense of trouble than it was in the old, it has proportionably become cheaper in the great degree we have seen. Upon the same principle, it is also subject to some variation from locality: in America, where it is recently dug from the mine, it must necessarily be cheaper than in Europe, which it reaches with all the expenses of freight and hazard attending upon so long a conveyance.

It is, therefore, subject, like other commodities, to variation of value, according to time and place; although, from the regular production of the mines whence it issues, and the small expense of transporting it compared with more bulky articles, it is less so than any other substance; and in ordinary times, when the intercourse between every part of the world is free, it is, for all the common purposes of society, a sufficiently perfect measure of value.

Thus

Thus it has continued (allowing for the considerable but regular depreciation just mentioned) for nearly three centuries, and thus it will probably always continue, to serve as the best approximation to a perfect standard: it has not changed its nature, nor will it in any material degree be less useful to mankind that we occasionally see, and now feel, its natural tendency to an equal value transiently interrupted by political circumstances. We have hitherto experienced very little inconvenience from such local and temporary alterations; nor shall we now from that we witness, if we do not create inconveniences by improper interference.

Without entering into the intricacies of foreign exchanges, it must be evident to every man, who will consider the subject, that when a country, like an individual, makes purchases more in value than it sells in return, that country must, for the moment, remain in debt to the extent of the difference:—it must be equally clear, that, if a nation obtains from other countries advances for the maintenance of its subjects detained abroad, for the support of its armies on foreign service, or for the payment of its subsidies to other States or Princes,—to the extent of all these, for the time, the accommodated country will be in debt. In all these ways has England been accommodated and become

become indebted to the Continent; in most of them does it still continue to be accommodated, and to contract new debts; and, unlike as in former times, when the intervention of neutral States, or the ingenuity of our merchants, made exportation, even in a period of war, little liable to obstruction, England is now, with teeming warehouses, unable to force the articles with which she would discharge her obligations, through the barrier which political circumstances have interposed.

But there is a limit to all credit, and particularly to the extent in which merchants on the Continent, who are generally less affluent than our own, can afford to make advances to this country. Something then must be remitted in discharge of past advances, or intercourse must cease. In endeavouring to continue so useful and so profitable an intercourse, every expedient which private ingenuity can suggest will be devised to defeat the obstruction, of whatsoever nature it may be: the convenience of every port for admission will be examined, the assistance of neutral flags and neutral ships will be resorted to; and, above all things, the aptitude of particular articles for secret and expeditious transport will be anxiously investigated: and in this investigation, in this comparison of qualifications, will

gold

gold be forgot? Is it probable that that commodity, which, of all others, is, in proportion to its value, the most easily transported, the most easily concealed, and the most sure to find a ready market, will be overlooked by men so acute as our merchants are? The very reverse is the case: the first thing that feels the impulse of an unfavourable exchange is this very gold, which the Committee would seem to think unsusceptible of influence.

What then follows this demand for gold? All the train of appearances which result from a demand for other articles: it becomes more and more scarce—it gets higher and higher in price.

But, if the demand for any article of which there is an extended market—if the demand for woollens or linens, for example, the supply of which is capable of being increased to a great extent, raises the price in their respective instances, how much more suddenly must the price of gold be affected, of which the English market is so limited? There is, perhaps, no country in the world, in proportion to its wealth, that has so little. We have not, as at Hamburgh and Amsterdam, a constant transmission through our provinces of foreign coins: our own coin is very limited; what there is can afford but little relief, being barred by penal statutes from the

use

use immediately desired of exportation. Our gold and silver plate can contribute as little to the end in view, as scarcely any increase of value, by a high exchange, would compensate the loss it would sustain in being deprived of its fashion and workmanship.—What then remains to constitute the English market? Only the small sum of a few hundred thousand pounds, which we find, from the Report, passes annually through the Bullion-Office; and which, stimulated by such urgent occasions, it is no wonder we see increased in price.

In reply, I am asked, are not the mines of the new world open to us as to the other nations of Europe?—But the produce of the American mines are usually brought to Spain, and, being there, we do not want to have them brought to England at a time when the sole purpose for which they are in such request is to send them back to that country, or some other part of the continent of Europe. Such quantities of specie, indeed, as our commercial intercourse with the Portuguese and Spanish settlements enable us to procure, are brought home, and form, as we see, the principal part of the scanty fund deposited at the Bank;—but how ineffectual is this to settle the heavy balance of payments we are every day incurring?

If we require an additional proof that gold and

silver are urgently wanted by this country, and that its usual stock and ordinary resources are unequal to the demand, we shall find that proof in the conduct of Government itself, which, after exhausting every scheme for supplying our necessities on the Continent by common means, have been obliged, in repeated instances, to enter into contracts with the Spanish settlements, and to grant licences for the transmission of specie from thence, even when intercouse was shut against other things. Could Government have found the precious metals as it could have done shoes, or clothing, or provisions, in England, would it have had recourse to such modes? The conclusion is inevitable:—it is a new proof that the British market or deposit of the precious metals is extremely small, and must necessarily be easily affected in price by any urgent demand.

Whenever the imports and the foreign expenses of this or any other country exceed its exports, its exchanges will be unfavourable, and gold dear; whenever the reverse is the case, when our exports exceed our imports and foreign charges, our exchanges must be favourable, and gold cheap. How then can that be considered as an undeviating measure, which is thus ever affected by circumstances so uncontrollable?

It will be asked how it then happens, that, in

all

all the changes we have seen arising from the state of our exports and imports, gold, after a long series of years favourable to England, has never fallen much under the price it bears relatively to other commodities?—The answer is plain:—when the balance of trade was against the Continent, it had always the option to pay its debts in whatever best suited our market, and, consequently, there never could be any redundancy of this, more than of any other article of commerce; as soon as the measure of our wants became full, the surplus would flow back to where it was more desired, and other articles would be selected, more suited to our market.

But it will be said this theory does not hold good at the present moment. The measure of the Continental market is admitted to be full: gold, therefore, not being dear there, there cannot be the usual attraction of a high price to excite exportation from England; yet the tendency of the current is strongly that way. This is one of the phenomena arising from our new situation: our motive for exportation now, is not as it used to be—a high foreign market; but it is one equally powerful—the necessity of discharging a large foreign debt, which the political obstruction of the times makes it more advantageous to liquidate by this, than by any other article more difficult to transport. At such moments our commercial

greatness

greatness even turns against us by the unwieldiness of the operations it imposes on the precious metals to perform. Should France, in her comparatively limited intercourse with other States, experience a depression of her exchanges, the currency of that immense empire would scarcely feel the drain; while England, dealing as it does for millions, and expending millions in foreign objects of policy, must necessarily with a limited currency have greater variations in her exchanges, and these variations will be greater or less as her trade and payments happen to concur or counteract each other.

I cannot anticipate the necessity of further illustrations to prove that at this time, and in this country, gold is dear: it seems extraordinry, that, instead of acknowledging it, as we do every other article of commerce, to be dearer when it is of more difficult attainment, we look, at the expense of insuperable objections on the other side, for arguments to shew that its rise in price is not a proof of an increase in its exchangeable value, but of an excess in the currency with which it is bought.—Let us try these two opposite opinions one way more, by the test of consistency in their effects.

First, to shew that gold varies, that is, rises and

and falls with the demand for it, I compare it with the state of our exchanges, which indicate the degree of that demand :—

In the years 1797, 1798, and 1799, I find the exchanges greatly in favour of this country.	Gold, not then being wanted for more than ordinary demands, remained at its standard price.
In 1800, 1801, and 1802, the exchange became unfavourable, and was 4, 5, and 6 per cent. against England.	Accordingly gold, the most exportable of all articles, acquired a new value, and became dear, and sold at 4*l.* 1*s.* 4*l.* 2*s.* and 4*l.* 3*s.* per ounce, which is an increase of about 4, 5, and 6 per cent.
In 1803, 1804, and 1805, 1806, 1807, and 1808, the exchange, with the exception of a few months in 1805 and 1806, continued favourable.	And we find gold, as we had reason to expect, at a corresponding price; it was all this time almost unvaryingly at 4*l.* per ounce.
At the end of 1808, and through all 1809, a very great and unfavourable alteration took place in our exchanges; they fell to 15, 16, and 20 per cent. under par.	Then gold became in request; it was wanted to satisfy foreign demands, and accordingly it rose to 12, 14, and 15½ per cent.
In April of the present year the exchanges recovered a little, and were only about 10 per cent. against this country ;—	And gold accordingly fell to within 10 per cent. of the Mint price.

Next, to shew that currency has not fallen, I

take

take the same test of a comparison. If it has lost its value from excess, it must have sunk in some degree proportionable to the increase of that excess. Let us see how the fact corresponds with that principle:—

In the years 1797, 1798, and 1799, during those immediately succeeding the suspension of cash-payments, and consequently of the greatest alarm, and during which there was sent forth an addition of 5½ millions to the circulation of bank-paper, being an increase of above 50 per cent.—in these years, when the effects of the excess, had there been any, must have been most apparent,—	Gold never altered its price; its price in currency never increased.
In the years 1800, 1801, and 1802, an increase took place in the issue of bank-paper of three millions more, being an additional increase of 23 per cent.	Gold bullion became dear in these years of unfavourable exchange;—gold rose in value 4, 5, and 6 per cent.
In the years 1803, 1804, 1805, 1806, and 1807, a further increase of issues took place to the extent of a million and a half, making in all an increase on the original circulation of a hundred per cent.	Gold bullion became cheaper; it fell back to within 2s. of the Mint price.

From

From January 1808, to Christmas 1809, there was little or no increase of paper;	Yet gold rose from par to 12 or 15 per cent. above the Mint price.
In April 1810, although there was no decrease of Bank of England paper,—	Yet gold fell to 10 per cent.

Can any proof be more decisive than that which these statements afford that the prices of bullion have had no correspondence with the issues of bank-notes? The Committee do not indeed allege that our currency is depreciated to the whole extent of the rise which bullion has experienced; they limit the charge they bring by stating only that it must exist to a certain degree: even so qualified, this opinion is not just, but, carried to the full extent, as it has been by some persons, it leads to the most obvious absurdities. According to the creed of such persons, that gold is invariable, and that the cause of its departure from the Mint price must be found in the variation of our currency, it would follow—

That in 1800 the whole currency of Great Britain became depreciated to the extent of six per cent. and consequently that it lost about three millions of its value;

And that, in 1805, with a greater proportion of paper, with a larger public debt, and with an ex-

tended war, the same currency, in all these respects less secure, recovered all the value it had lost.

Were such opinions just, it would follow also, that if Mr. Goldsmid, in executing any very urgent commission, should raise bullion two or three per cent. above the usual price, he would by such rash act strike off a million from the value of our currency: but the truth is, in all these instances it is only a few ounces of bullion that have got dearer or cheaper; our currency remains just the same.

At this place I shall again shortly depart from the direct course of these Observations, to notice the argument of a class of advocates for the measure recommended by the Committee, but who urge it upon different grounds.

These Gentlemen allow that our currency is not depreciated; that gold is increased in value to the whole extent of the disparity we see;—but, admitting all this, they say, a pound of gold, having been coined into 44 guineas and a half, the holder of a bank-note for 46*l.* 16*s.* 6*d.* (the sum corresponding with 44½ guineas) is entitled at all times to a pound of gold; and he is so, they say, by the express letter of his contract,

and

and by the law of the country, even now, when a pound of gold is worth fifty-six pounds. But, independent of the injustice of placing the parties to any contract in a situation not in contemplation at the time of making such contract (a situation resembling that of a mortgager pressed to sell his estate in a time of great depression of property, which a court of equity would not permit), the very terms of the contract are against this reasoning. There is not in existence any note of the Bank of England, or of a country bank, engaging to pay a pound of bullion: the engagement such notes contain is to pay a certain portion of the coin of the realm; which coin, bereft as it is, and always has been, of exportability, is of the same value now that it was when it issued from the Mint; and never was intended to give to the possessor the fluctuating and now very unusul advantages of bullion, from which it is so distinctly separated by the law.

Of the same kind is the popular instance of a public dividend; inasmuch as it is the opinion of the Committee carried to the extreme. A believer in depreciation carries me to the Bank, and there shews me a small ingot, which was once a guinea, but which now he proves to me he could sell for 1*l.* 4*s.* 6*d.* In coin of this value, he reminds me, was once paid every pound of these dividends now poured upon the public in notes,—these

depreciated

depreciated notes, which, compared with this piece, are worth only seventeen shillings for every nominal pound. But is not the answer plain? Let this ingot again receive the unvarying character of coin which the law gave it, and meant it should always retain; let it once more be secured by the Tower stamp from those influences which its exportability subjects it to, and which now affect it so much; take from it that susceptibility of change, which, as bullion, makes it unfit for a measure of value; confine it, as our coin always has been, to its use of a domestic standard;—then that ingot, that guinea, will be of the value of this note and this shilling; it will then be of the value it bore when you paid it to the State in purchase of this very dividend; and it will be of the value to which it will once more return when it has lost the enhancement it now experiences from temporary and unexampled causes.

SUCH

SUCH is the reasoning which has led me to a conviction that there is no depreciation of our currency, and that the present enhanced price of bullion is owing to the unfavourable state of our intercourse with the Continent. In stating the grounds of my opinion, I have endeavoured to anticipate such objections as occurred to me might be made on each point: I shall now very shortly examine the principles and reasoning which are detailed in the Report as the grounds of an opposite conclusion.

In the first page the Committee state the price of bullion for four years, ending with 1809: in the next page they state our foreign exchanges for the same period, and shew that they exactly correspond with each other, rising and falling at the same time. The natural inference to be drawn from this correspondence would seem to be, that the high or low price of bullion arose from the state of the exchange; that they were cause and effect;—but a different conclusion is formed—" so extraordinary a rise in gold, coupled with so remarkable a depression of exchange, points out something in our domestic currency as the cause of both appearances."

They

They then proceed to examine separately the high price of gold and the low state of exchange; in each of which they appear to adopt very objectionable opinions.

In Part I. they lay down as a principle, " that, " in a sound state of our currency, the founda- " tion of which is gold, no demand for gold, " however great, can have the effect of produc- " ing here, for any considerable time, a mate- " rial rise in its market-price." If I have made myself at all understood in a former page, (p. 44,) it must, I think, be apparent that a high market-price of gold must continue just as long as the exchange is unfavourable, however long that may be: while we have an unfavourable balance to pay, we shall ever wish to pay it, amongst other things, in that article which is of cheapest conveyance; and that article will in consequence be dear: when we have no balance to pay, that article will then, and not till then, resume its former level.

In the next paragraph the Committee state that there is no unusual demand on the Continent, no high market-price of gold there, to account for the high price here. That there is no unusual demand abroad is admitted; but there is no necessity for a high foreign market to make a great demand at home; it is dear here, as I have shewn, because it is easier to convey the

value of fifty pounds into the heart of France, or of the Continent, in the shape of a pound of gold, than in that of a hogshead of sugar or a bale of cloth.

In page 5 the Committee enter into an examination of the nature of gold as a measure of value, to shew that, however it may vary in value, compared with other commodities, it cannot vary from itself;—that an ounce of gold, therefore, now buying 4*l.* 2*s.* of our currency, instead of 3*l.* 18*s.* as it used to do, is a proof that our currency is cheaper. This, too, I have explained:—our currency is the same; the exportable gold here instanced has acquired a new power—that of paying at the cheapest rate a foreign debt—and consequently a new value; but it is a value which it will lose when the balance of trade and payments turns again in our favour. That portion of our gold which is in coin, which we have barred from exportation, and, of course, from this accidental quality, remains as it was, at the Mint price; and the difference, estimated in the Report, page 6, at 4½ per cent. is only an enhancement in the given price of exportable bullion as an article of trade.

The section concludes by this position—" that a " general rise of all prices, and in the market-price " of gold, with a fall of foreign exchanges, will be

" the

" the effect of an excessive quantity of circulating " medium, not exportable to other countries, or " convertible into a coin which is so."—But, so long as the limitations I have explained exist, there can be no excess. Our circulating medium, when it was all of the precious metals, was never exportable,—consequently no change has taken place in this respect; and, in its present state, it is just as convertible into other coin, and into every thing that is valuable, as it ever was. One description of commodities alone have changed their relative price—those particularly fitted by their qualities for facility of transit; and surely it is not by comparing our currency with these only, that a fair test is offered of its deterioration.

In part II. the Committee enter into the subject of exchanges. They begin by admitting candidly, that, in the opinion of Mr. Greffulhe, Mr. Chambers, Mr. Coningham, and several other witnesses examined, the present unfavourable state of this index of our foreign intercourse resulted solely from the present state of our trade and payments:—in one Gentleman, however, whose name is not mentioned, they find a qualification of this opinion, which, on examination, the Committee finally adopts, viz. " that bullion is the true regulator both of " the value of a local currency, and of the rate

" of

" of foreign exchanges ;" and in page 11 they state, that the difference of exchange resulting from the state of trade and payments between any two countries, is limited by the expense of conveying and insuring this bullion from the one to the other,—estimating at the same time such expense at the highest at 7 or 8 per cent.

With a view to confirm this principle, certain calculations are proposed to Mr. Greffulhe (page 14), of which the result is, that any man having 13 ounces of gold, in London, will be glad, during an unfavourable exchange, to give one of these ounces to pay a debt with the other twelve in Paris. This loss of one in thirteen is equal to about 7½ per cent.—exactly what we are shewn are the expense and risk of conveyance to Paris;—in other words, it amounts to what the Committee call the real limit of exchange. But, admitting this calculation in all its parts, the inference which the Committee draws from it, viz. that all excess above this real limit must be ascribed to a defect in our currency, is surely not just. Of what avail is it to us to know that gold would pay our Continental debt, at a loss of only 8 per cent. if we have not gold to the extent of that debt which we can export? Having it not, we resort to silver; that too is exhausted; and, however much we should prefer the precious metals, if they existed, we must have

have recourse to other articles, more bulky, more expensive in conveyance, more liable to seizure, till the risk and expense of transport extend the real limit to 12, to 15, or 20 per cent. as we have seen.

In the same section the Committee represents the *actual* balance in favour of England, in its European intercourse for 1809, as amounting to about 15 millions; while, in the Appendix, Nos. 75 and 76, it is shewn that this is not an actual but an official valuation (which is made on other principles), and that the actual balance in our favour is only about seven millions:—but, although great in amount, this error is not material in principle. Whatever may have been the actual balance of trade in our favour for 1809, the Committee admit, that, when the drafts on Government for its foreign expenditure, the freights due to foreigners, and the interest payable to them from our funds, are cast into the scale, that year exhibits (page 12) a real balance of trade and payments against England:—yet, with this truth admitted, and with evidence before them that there was not gold in our markets sufficient to perform its supposed office of a real limit, they conclude the section by stating—surely without cause—" that they find " it difficult to resist an inference, that a portion, " at least, of the late great fall in our exchanges,

" must

" must have resulted, not from the state of trade, " but from a change in the relative value of our " domestic currency."

In part III. the Committee state the inquiries they had gone into to ascertain " whether the Di- " rectors of the Bank held the same opinions " with them as to the necessity of watching " the foreign exchange, and deriving from it a " practical rule for the control of their circu- " lation; and also whether the great fall of ex- " changes and rise of gold last year had sug- " gested any suspicion of the currency of the " country being excessive."

The Governor, the Deputy Governor, and the Director who were examined, all avow that they had no reference to a criterion which, if the limitations mentioned in the first part of this inquiry exist, could have no influence on their decisions in this respect. The issues of notes from the Bank of England, as from other establishments, can be regulated only by the demand for them; and the concurring testimonies here recorded form a strong corroboration of the principles I have endeavoured to establish.

It would be an useless repetition to re-state these principles in reply to those brought forward in this section; I shall only make some remarks

on

on such positions or opinions as appear to me inconclusive or erroneous.

In pages 16, 17, 18, and 19, in order to shew the evils arising from excessive issues, the Committee refer to instances in the Bank of England soon after its establishment; in the Bank of Ireland in 1804, and in certain banking companies in Scotland after the seven-years' war, in each of which, great inconveniences are alleged to have arisen from an over-issue of paper. These instances are little more than glanced at in the Report; I shall therefore only notice each as shortly. With regard to the first, the Committee themselves furnish us with the most complete explanation, by stating that the coin of that day was depreciated by wearing and clipping, and that the credit of the Bank was injured for a time by the "*straits*" it was in to keep up its payments in specie, then the only test of solvency:—this, coupled with an error it fell into of too much identifying itself with the Government, then also in great difficulties, could have no other result at a time when banking establishments were still new, and when men must have watched their conduct with a caution corresponding to their recent introduction.

The case of Ireland is an illustration of all the

principles

principles I have laid down. Between 1799 and 1804, the alarm of a threatened invasion, and the terrors of an existing rebellion, impelled a considerable portion of the Irish community, with an anxiety proportioned to the danger, to remove themselves and their property to a place of greater security. What was the consequence? Exactly what we have seen is the consequence of our present necessity in this country to send remittances to the Continent:—Irish individuals and Irish families gave more and more for bills upon England; the exchange on this country got higher and higher, and gold rose in Dublin to a corresponding premium. It was not that an Irish gentleman, so alarmed, thought the Bank of Ireland had issued too many notes that he wished to exchange them for those of England; but because he wished the whole or some part of his property to be out of the reach of risks then peculiar to that part of the empire. The whole phenomena of that day are in strict uniformity with those of the present times:—gold, the most exportable of all commodities, continued in Dublin at a premium, while, in London, a bill drawn upon Dublin could not be sold but at a great loss; and for the most obvious reason, because the person purchasing was taking that risk which the seller was so desirous to divest

himself

himself of:—yet, in this state of things, bills on Belfast sold in London at their usual rate: they did so, because, in the north, gold was still the circulation of the country; and as soon as the draft was paid in this metal of intrinsic value and universal request, it was sent to England:—but Time, the silent yet certain restorer of an ordinary state of things, has gradually done what Government and the Committee of that day in vain attempted to perform; the high exchange drew forth, in their natural succession, the gold, the silver, the linens, the provisions, the produce and the industry of Ireland; those individuals who were most alarmed, thus got greater means of remittance; while in the same time the alarm itself was gradually subsiding, till now we see in Ireland, what we ought to anticipate seeing in this country, relatively with the Continent, the exchange restored to par, and that, too, with a circulation of notes in Ireland as unlimited and as great as it was in the deprecated year of 1804.

The case of the banking companies in Scotland seems at first view to be the most favourable to the arguments of the Committee; their fault was certainly in part that of over-issues:—it was an ill-advised attempt at extensive circulation in an early stage of country banking, when its principles

principles were not understood; the evil complained of, however, was corrected by withdrawing from the notes of those banking companies the optional clause, which made them uncertain and inconvenient, and by assimilating them to the notes which now circulate in the same district at their full value.

In Part IV. the Committee is led to an examination of the progressive increase and present amount of the paper circulation of the country, whether of the Bank of England, or of provincial banks. That of the Bank of England I have already considered in the early part of these Observations: it only remains to examine the estimates which are adopted of the last, and to remark on an apparent mistake in principle in detailing the extraordinary difficulties of 1793, in page 27.

The year 1793 was one of singular distress throughout the country; there was a failure of confidence and of private credit: in both cases, men distrusting the solidity of houses engaged in trade wished to withdraw their funds from a real or supposed risk. In this moment of danger the Committee imply that the Bank ought to have extended its discounts, and thereby have relieved the distress it witnessed; but surely it was not the duty of the Bank to take the peril

on itself, and to assist every embarrassed establishment at the risk of its own safety. What was the real evil? It was not a want of the currency of the country then existing; it was not a decrease of the medium, used to make exchanges (the sole legitimate purpose of money, and of the Bank's circulation), that caused the distress;—the currency of that year of difficulty was probably as great as it was in that before, or in that which succeeded; and had the Bank attempted to increase it to any considerable degree, the superflux returning on them would have created that drain on them which they saw so fatal to others. But it was not notes, it was mutual confidence which was wanting, and the evil was cured by a restoration of that confidence. The Government appointed Commissioners to inquire into the solvency of such houses as applied for relief: to such as established their claims it lent the pledge of its own security by issuing Exchequer-bills to them; and thus Government, without adding to the circulation, did what the Bank would in vain have endeavoured to do at the expense of its established rules, and at the hazard of its reputation for prudent management.

In pages 28 and 29 the Committee bring a heavy charge of excess against country banks. In the latter they give a statement of the number of

notes

notes of these establishments, above two guineas, stamped in the year 1808, compared with those stamped in 1809; and from it a conclusion is drawn, " that the total amount in circulation " of this class of notes alone was in 1809 in- " creased three millions; a sum which, added " to an increase of a million and a half in the " same year from the Bank of England, was an " addition to the circulation of Great Britain " alone little short of the amount which, in any " one year since the discovery of America, has " been added to the circulating coin of the " whole of Europe."

But I submit whether the principle on which this calculation is made be not evidently erroneous. The notes in question are limited in their duration to three years; if few were issued in 1805, few, at the expiration of their term of three years, would require to be restamped in 1808; while, if many were stamped in 1806, many would require to be renewed in 1809: so that, even supposing there was no addition to the circulation, a great increase would appear by comparing the year 1808 with 1809:—accordingly we find, in the Appendix, No. 53, that the corresponding years of 1806 and 1809 were both unusually productive. The just test of comparison, then, is not the amount thus paid for stamps

 in

in any one year; it is the amount paid in any three years. On any given day, the amount of the circulation of the country must be all the notes stamped within the three preceding years of that day: all the notes stamped after the commencement of the period must be still in force and in use; all stamped before that era must be expired, and of course withdrawn: allowing, therefore, for a few which may remain out beyond their appointed time, but which do not affect the comparison, as the allowance applies alike to every year, the comparison of which the Appendix affords us the materials stands thus:—

	Above £2 2s.	Above £5 5s.
Duty paid for reissuable notes in the three years ending October, 1807	£80,226	£38,482
Ditto 1808	74,322	33,277
Ditto .... 1809 (Deducting increased duty 1809)	77,606	36,124

Shewing that, although there was an increase of stamps corresponding to about a million in 1809, yet that, even then, the circulation, so far from being increased, was above half a million less than it was in 1807.

CONCLUSION.

In the present actual state of our foreign exchanges, when a given quantity of gold pays a larger portion of a debt on the Continent than any other article in this country of equal value,—a judicious merchant, in examining his stores, would determine to export his stock of the precious metals, and, after benefitting by the present certain increased prices, he would trust to a change of times for an opportunity of replacing it, when the tide of exchanges (as sooner or later it will do) sets in the contrary way, and when gold and silver again drop to the Mint price. Had our Government or the public hoarded millions, it would have been their true interest to have followed the same course at this time: and the judicious part of the latter now do so, to the extent of their means, being ever careful to sell dear, and to buy cheap. But the Committee, seemingly in opposition to the maxims which govern us in common life, reject the delay of a few months or years, when peace, and its consequent, favourable exchanges, will have made the replenish-

ment

ment of our stores free from difficulty; and they select a most unfavourable moment for attempting what is nearly impossible; but which, supposing it possible, would at all events be injudicious as to the time of execution.

They recommend that, in two years, the Bank should resume its payments in gold, whether peace be restored or not. If peace shall then prevail, the order will have been superfluous, as the law unaltered already directs cash-payments in that event. Should peace not be restored, the Bank, thenceforward, instead of joining in the common tendency of the community to export in the liquidation of our foreign debts, must counteract that current, and must add to our unfavourable balance by increasing our imports: they must raise the difficult supplies, which they will be obliged to provide for their cash-payments, by the most ruinous means to themselves; for they must purchase abroad, to bring it home, that very commodity which the whole trading world are seeking at home to send abroad. Still, if the sacrifice of one, or two, or three millions, could be supposed sufficient for the object in view, it might be desirable to relieve fearful minds at that expense; but is it not apparent, that one supply, or one hundred supplies, will not suffice in the given state of exchanges? Have we not seen at

least

least eight or ten millions of our specie melted down and sent away in the last fifteen years? and can we expect, with the same inducements for exportation, that the same consequence will not follow again? Certainly this will happen; and the Bank, to their sorrow, and to the surprise of those who hoped better results, will, after years of expense, and the waste of millions, find their coffers as empty of the precious metals as they are at present.

It is clear then we ought to leave to more favourable times, and to the alteration of our foreign exchanges, (which will, of itself, correct the evil,) that disparity in value of our bullion and our currency which the proposed regulations in the Bullion Report can never correct. Carried to the extreme of possibility, those regulations would produce the most inconvenient effects:—it is within possibility, that the Bank, constantly coining and constantly importing to supply a waste greater than it could replace, might be obliged to declare its inability to keep out its notes at this expense, and might find itself under the necessity (I put an extreme case) of withdrawing its paper from circulation altogether. What then would be the result? Either the public must be satisfied with a worse currency, and accept for their convenience the notes of private

bankers to the extent of the void; or they must import twenty millions of the precious metals to perform the offices which bank-notes now execute so well. In the former case our exchanges would remain exactly as they are now; in the latter almost inconceivable case, we should—do what? not keep our currency at the standard,—not preserve an equal measure of value,—but we should, at the expense of a million a year in interest for the use of this expensive instrument, and of two or three millions in unfavourable exchanges to acqnire it, bring up our currency to the war-price of bullion, which price, obtained by such sacrifices, it would again lose the hour after peace and free intercourse were restored.—To supply our wants at such a time would seem to resemble the improvidence of an individual who should lay in a stock of ice in summer, or of fruit in December.

But, admitting this expensive consequence of ordering the resumption of cash-payments to be highly inconvenient, I am asked, bad as the alternative is, is it not better than a breach of faith on the face of every note we see in circulation? The contract contained in every promissory note is, that the holder should receive, when he pleases, the sum therein specified, in one or other of the precious metals, which our laws

laws make exclusively a legal tender:—whatever it might do, therefore, as to future contracts, was it not a departure from justice when the law of 1797 absolved the issuers of notes from a positive engagement contained in all these obligations then existing? But let us here not blame the statute of 1797 for more than it has done: it has indeed prohibited the Bank of England from payment of its notes in coin; but, with the exception of a trifling form in holding to bail, it has left the law exactly as it stood before, with regard to the rest of the community: every individual stands precisely as he did before 1797, and is as liable to a settlement of his debt in the coin which the law alone acknowledges as he ever was. If he is not called upon for gold, it is from no legal bar to that demand, but from the acquiescence of the public in a difficulty imputable to causes out of his control; and if, in the thirteen years during which the precious metals have been so scarce, we have seen no exercise of this power over the person and property of the issuers of notes, it forms a strong additional evidence that the public do not feel either inconvenience or any decreae of confidence.

But if the law (it will still be said) is left unaltered between man and man, it is not so left with reference to the Bank of England. With re-

gard

gard to that body, the law is suspended; and the holder of one of its notes cannot, as against his neighbour, proceed to judgment, and seize its goods. But it must be always remembered that this is not done from partiality to the Bank; the consequences of the new law may have incidentally promoted the advantage of that body, but it is on public grounds that the Restriction Act is justified. When it foresees public inconveniences, does not the Legislature constantly interfere with private rights? When grain is too profusely exported, does it not impose a restriction on the owners against further exports? When an individual would circulate his own notes for sums under twenty shillings, does not the law interpose on the ground of public inconvenience?—Surely then, when the extraordinary circumstances of the times presented such temptations to break one of our acknowledged laws, and when the coin of the country was daily melted down and exported by men who could neither be controlled nor detected, it was time to put an end to the source of their traffic, and, by preventing the Bank from being made the channel of supply for such purposes, not only to preserve a part of our coin from annihilation, but, in relieving the Bank from such demands, to relieve the community from

from the intolerable expense of purchasing gold only to coin, and of coining gold only to be melted down.

In the Act, as it now stands, it may be said the innovation on the former law has been carried to an unnecessary extent. It is true that, by the liability which is imposed on the public Exchequer to receive Bank of England notes, the State has pledged itself for their validity, and there can never be any practical difficulty in the disposing of any amount at the value they purport to bear: but still it may be said, that it would be more conformable to our usual habits if the law were restored to its former state, and if we could again demand payment of our debt in this as we do in all other cases, by a direct appeal to our debtor, the Bank itself; by the Restriction Act we can still demand of it to exchange a note of a hundred or a thousand pounds for any others of a like amount; but here our power ceases; and we not only cannot by any legal proceeding seize its stock of the precious metals, which may perhaps be considered as under the guardianship of the State; but we are prevented from proceeding against its effects in bills discounted, or against the mortgage it holds on the whole property of the country, in the shape of advances to Government.—But it must ever be

borne

borne in mind that the Restriction Bill is not the act of the Bank, imposed to protect it against the just rights of its creditors; it was an act of the Legislature, adopted on public grounds, and in fulfilment of one of the duties of Government—to prevent or lessen a public evil in the exportation of our coin; and it would be obviously unjust to expose the whole property of the Bank of England to confiscation because it does not do what it declares itself willing to do, at all hazards, when permitted, and which it will again do whenever the law declares it is no longer bound by the fetters which public convenience now impose upon it.

I trust it will not be thought that those who thus argue against the removal of the Bank restrictions during war, and of course during the probable continuance of unfavourable exchanges, are therefore indifferent to the advantages of a safe, a convenient, and an unvarying currency, or to the benefit of a certain mixture of the precious metals in its composition. The efficient state of this useful instrument, to which we daily and hourly have recourse for assistance, deserves our peculiar care; but we ought to watch it without any of those prejudices or alarms which we daily see in men otherwise intelligent, who impute our debts, our taxes, our

commercial

commercial distresses, to some irregular action of this (to them) unintelligible machine.

The sole and exclusive use of money, in the sense of currency, is to constitute a convenient and certain standard of value in the exchanges of society: other advantages being alike, whatever instrument performs this office at the least expense must be the best. Between the expense of gold and that of paper there is no comparison; and accordingly, during the last century, in which paper began to be a candidate for public favour in opposition to gold, it has gradually gained upon its rival. In a former page I have noticed the advantages it possesses in being more portable, more easily reckoned;—in addition to these, I think I may now state, that, joined with a certain mixture of gold and silver, it is more unvarying in its value; it is not subject to the influences of our foreign commerce or our foreign policy; and it increases or decreases in exact correspondence as the society expands or contracts. The security which gold affords to its possessor, in a time of general alarm, is an advantage of a very questionable nature; it gives a few persons a supposed safety, which it would be better that they should only feel in joining to ward off the common danger. With all these considerations, however, to reconcile me to the

the existing state of our circulation, I still admit it to be one of necessity and constraint: nothing short of urgent reasons of State warranted the first Suspension Act; and nothing but a continuance of the same causes can justify the present. There are real advantages attending the partial use of gold, arising from its intrinsic value; there are other benefits not less desirable, resulting from the confidence and security which in many cases it inspires; and, in a well-regulated currency, the public ought to be unfettered in their choice of an instrument which they pay for alike whether it be composed of gold or of paper. That we have not now this choice is the result of political circumstances entirely out of our control. Happily, when once removed, there is every reason to believe that they can never recur; it is not to be anticipated that the Power which now holds the Continent in bondage, and shuts its ports against our commerce, will always be able to exercise the same injurious sway. Whenever that ceases, and with it ceases the necessity of our late foreign expenditure, we shall again see the precious metals at their Mint price; and our currency will then, without any expense, be restored to such proportions of coin and paper as the community, guided only by views of convenience, will require. In the mean while it must be a source of great

satisfaction

satisfaction to those who concur in the opinions I have submitted—a satisfaction consistent with the greatest respect for the Committee—to feel that the evils arising from a depreciated currency do not exist; that our foreign exchanges have not suffered from that cause; and that there is no real necessity for adopting the suggestions of a Report, which, if followed up by an act of the Legislature, there is much reason to fear would disappoint the expectations of those who framed it.

THE END.

Printed by W. Clowes and Co.
Northumberland-court, Strand, London.

OBSERVATIONS

ON THE

REPORT

OF THE

BULLION COMMITTEE.

BY

THE RIGHT HONOURABLE

SIR JOHN SINCLAIR, BART.

M. P.

LONDON:

PRINTED BY W. BULMER AND CO. CLEVELAND-ROW,
ST. JAMES'S;

AND SOLD BY T. CADELL AND W. DAVIES, STRAND;
J. STOCKDALE, PICCADILLY; AND
J. M. RICHARDSON, CORNHILL.

1810.

[*Price Two Shillings and Six-pence.*]

ADVERTISEMENT.

FOR several years past, my attention has been almost exclusively directed, to objects connected with the agricultural interests, and improvement of the country. Financial inquiries, though formerly a favourite pursuit, had been for some time laid aside, and would not probably have been resumed, at least for the present, were it not that some rumours had gone abroad, that a Select Committee, appointed "to enquire into the "cause of the high price of bullion, and to "take into consideration the state of the "circulating medium, and of the exchanges "between Great Britain and foreign parts," had resolved to recommend to Parliament, restrictions on our paper circulation; an idea which seemed to me likely to produce the most fatal consequences to the most important interests of these kingdoms. I

was thence induced to feel the utmost anxiety for the perusal of a Report, which, at the conclusion of the session, they had presented to the House. Upon examining that Report, I found it liable to various objections, to which it seemed to me essential, that the attention of the public should be called with as little delay as possible. That became the more necessary as, owing to the state to which mercantile credit had unfortunately fallen, the adoption of such measures as the Bullion Committee had proposed, would have most seriously aggravated the evil.

Convinced indeed, that the prosperity of the country, in regard both to its Agricultural and Commercial interests, nay, that the very safety and existence of the British Empire, depend on the preservation of our present system of circulation, I could not hesitate a moment, however unwilling to engage in political controversy, to enter my public protest against the doctrines promulgated by the Bullion Committee. With a zeal for inforcing certain speculative prin-

ciples, they seem to me to have incautiously recommended measures, which, for the reasons to be afterwards explained, cannot be too strongly reprobated. We have already difficulties enough to struggle with, proceeding from other causes; it would not be prudent, therefore, to add to the number, by cramping our circulation, and introducing all that train of internal misery which would inevitably follow. I trust that the wisdom of the legislature will shield us from the ruin of which such measures would be productive. When the subject is discussed in Parliament, with all that information and ability, by which the British Senate is distinguished, I am not without hopes, that the Committee themselves will see grounds to alter the opinions they have hitherto entertained regarding it. In the interim, the following Observations on their Report, are respectfully submitted to the consideration, both of the Committee, and of the Public.

Terrace, Palace-yard,
Westminster, 10*th September*, 1810.

N. B. It is requested that the reader will not view this momentous subject, as a mere *mercantile* question, but as one of general importance, which ought to be considered on *a great scale*. What though facility in obtaining money, may have occasioned some unsuccessful commercial speculations, (and their want of success may perhaps be principally ascribed to other causes), yet is such a circumstance, however much to be regretted, to be put in competition with all the political advantages of an abundant circulation? Are not new roads, new canals, new harbours, new inclosures, and new improvements of every description, going on successfully, in the midst of this tremendous war, with a spirit hitherto unpararelled? Is not our revenue productive beyond the expectations of the most sanguine? And are not our public loans procurable on the most advantageous terms to the nation? What cause then have we to lament over public misery? That abundance

of circulation, which is the great source of our opulence and strength, may be attended with some disadvantages; but enforcing any material diminution, *of that mine of national prosperity*, would be a species of political suicide, altogether unpardonable.

OBSERVATIONS

ON

THE REPORT OF THE BULLION COMMITTEE.

EVER since the commencement of the Revolution in France, it has been the darling object of those who have successively governed that country, to injure the public credit, to diminish the financial resources, and to undermine the commercial prosperity of Great Britain. The trade and wealth of these kingdoms, and the confidence so justly reposed in their permanence and solidity, were galling contrasts to the wretched state, to which, in these, as well as in other material respects, France had been reduced, by the councils of the rash, the ignorant, and the designing. The rulers of France well knew, that our naval and military power, and the influence we possessed in the councils of other nations, depended on

our credit and opulence; and if these could be diminished or destroyed, the most efficient obstacle would then be removed, to the acquisition of that *universal dominion*, to which France, under all its successive changes, has uniformly aspired.

The steps taken by France in carrying on *its commercial warfare* against this country, have been distinguished by unbounded violence. Wherever its armies penetrated, the private property of British subjects was most anxiously searched for, and confiscated as lawful plunder. In the harbours of nations, nominally independent, French consuls and custom-house officers were stationed, to hinder the admission of British goods, or to seize them wherever they might be landed. Countries were subdued, seemingly for the sole purpose of preventing the possibility of their holding any trading intercourse with England; and for the first time in the history of mankind, armies were employed along the coasts of trembling nations, not to protect them from the ravages of con-

tagious disease, as has sometimes been attempted, but to prevent their obtaining various articles, the acquisition of which, they deemed so essential for their comfort, that they were willing, at any price, to purchase them.

There was reason to apprehend, that measures of so unusual a nature, conducted with much energy and perseverance, and inforced over a great extent of country, would necessarily be productive of injurious consequences to the commercial interests of Great Britain. It was hardly possible to expect, that under such penal restrictions, our trade would be carried on in a regular manner, or through the accustomed channels. The very remitting of the debts due to British merchants, was attended with much difficulty and danger. Great mercantile houses, by whose means the commerce of exchange had formerly been regulated, and conducted on the fairest and most equitable principles, to the general advantage of trading nations, had been compelled to abandon that line of business; and the exchange, owing to the

want of such useful middle men, had no guide to regulate it. In consequence of these, and of other causes to be afterwards explained, the rate of exchange had become, in a considerable degree unfavourable to this country; the price of bullion rose; the value of our paper currency, it was alledged, was proportionally depreciated; and these circumstances, which, without legislative interference, would have gradually rectified themselves, were represented, as grounds of public danger, and of most serious alarm. The evil, it was indeed contended, had at last become so formidable, that a parliamentary inquiry was indispensable; and great public advantages were predicted from the proposed investigation.

Inquiries regarding points of so delicate a nature as the circulation of a country, (on which its prosperity, and indeed the comfort and happiness of every individual in it so much depend), cannot be too cautiously entered into; nor the subject too maturely considered, before any step is taken, or even remedies are suggested. Being a point of

such general and common interest, it was natural for any government to suppose, that it would be impartially investigated, whoever were appointed to examine it; and above all, that the chimeras of political speculation, would never be set up against the results of practical experience. The minister therefore consented to the motion for the appointment of a Committee, took hardly any concern in the nomination of its members, and no part in its deliberations, until unfortunately it was too late. The members of the Committee had made up their minds regarding the points under discussion; and when the principles on which the Report was to be drawn up, came to be settled, the First Lord Commissioner of His Majesty's Treasury, found himself in a small minority.

The members of the Committee thus constituted, were certainly persons of distinguished abilities, and competent to the task of conducting the proposed investigation, could they have totally divested themselves of various prejudices, by which the judgment of the best intentioned may occasionally be

warped, and had they given themselves sufficient time to carry through so extensive an inquiry.

To their labours we are indebted for a great mass of useful information, and the Report is drawn up with as much ingenuity as the nature of the subject would admit of. But to the general form and substance of that Report there are, among many other, the following most serious objections.

1. Though authorised merely to report the result of their inquiries, and *their observations thereupon*, they have exceeded the bounds of their commission, by stating *their opinions*, and suggesting remedies; points regarding which, the House had not authorized them to inquire.*

2. They have also reported the evidence of an anonymous witness, contrary to the usage of Parliament, unless special reasons can be, and actually are assigned, for the concealment; and they seem to have laid peculiar weight on the doctrines of this

* See Report, p. 2. the second paragraph, Sect. No. I.;

nameless individual. Yet this unknown individual may be a foreigner, or a person usually resident abroad, who may not be so anxious, as a British merchant would necessarily be, to deliver opinions favourable to the prosperity of this country.

3. In the third place they have reported, as will afterwards be fully established, contrary to the weight and mass of evidence brought before them; and in regard to one particular point, as they themselves admit, contrary to the testimony *of most of the witnesses* examined by them.* One fact, connected with misstated or neglected evidence, is particularly striking. On the 24th of February Mr. Merle, who is practically conversant with such inquiries, was examined, regarding the difference between the mint price, and the actual value of silver. He states, that a dollar is worth four shil-

also the first paragraph of Sect. III. p. 15; also p. 30, and p. 31, where the following expression is made use of: "The Committee report it to the House *as their opinion*."

* Report, p. 2. line 11 from bottom.

lings and four-pence at its standard price; but at the time when he was examined, that it would fetch in reality four shillings and nine-pence, consequently the difference was rather more than five-pence per ounce, or about $9\frac{1}{2}$ *per cent. above coinage price.** No notice is taken of so important a fact in the course of the Report. It was more consonant to the prejudices of those by whom that Report was framed, to rely on Wettenhall's tables, where the Committee found new dollars quoted at five shillings and eight-pence per ounce; and the difference between the mint and the current price, is then immediately mounted up to 15 instead of 13*l.* 6*s.* 4*d.* per cent.† With the same carelessness in regard to accurate calculation, in page 1 of the Report, Spanish gold is stated to be

* See Appendix, p. 54. A dollar weighs 17dwts. 8grs. Since the Report was printed, a dollar has become worth 4*s.* 11*d.* or about $2\frac{1}{2}$ per cent. higher, and foreign bar gold has fallen from $4\frac{1}{2}$ to 5 per cent. A further proof that the exchange does not govern the price of bullion.

† 5*s.* 8*d.* per ounce, would only be 13*l.* 6*s.* 4*d.*, which is nearly 2 per cent. less than the Committee have stated.

from $4\frac{1}{2}$ to $4\frac{3}{4}$ grains *better*, whereas it should be *worse* than standard.

It is much to be lamented, that the drawing up of a Report, of such vital consequence to the most essential interests of the country, should have been so hastily executed, before all the members of the Committee could possibly have had leisure thoroughly to consider such momentous questions, in all their bearings, or minutely to examine all the evidence that had been adduced on the occasion. It is also unfortunate, that such a Report should have been presented at the close of a session, and printed and dispersed during a recess, by means of which, Parliament is precluded from taking immediate steps to counteract any ruinous doctrines that might be therein circulated, under the sanction of its name. It is the more necessary, therefore, till the House is re-assembled, that the Report, should, in the interim, be examined by such private individuals, as may have directed their attention to inquiries of that nature, more especially by those, who, like

myself, are deeply impressed with a conviction, (the grounds of which shall afterwards be explained.);

"That the suggestions of the Bullion "Committee, if ever carried into effect, "would do more mischief to the British "Empire, than the fleets and armies of Na-"poleon will ever be able to accomplish."

Before we proceed, however, to examine this Report, it may be proper to state the situation of the country, in regard to its commerce and finance, as admitted by the Committee itself, and to consider whether any pregnant proofs cannot be adduced of its prosperity, at the period when the Report was drawn up, and which nothing but doctrines, in the highest degree impolitic and mischievous, circulated under the sanction of a Parliamentary Committee, could have clouded even for a moment.

In the Report, (page 28), the country is said to possess "*a high state of mercantile,* "*and public credit.*" Permit me then to ask, is it right that the state of a country thus situ-

ated, should be at all tampered with? Ought not such a statement, to have suggested some caution and prudence in pointing out remedies, where it would appear that none were necessary? "I was well,—would be better,—took physic, and died," is a saying applicable to nations, as well as to individuals. It furnishes a useful hint, of which politicians, and statesmen in particular, ought never to lose sight, nor blot out from their remembrance.

Let us now proceed to give some proofs of that high state of prosperity, *so briefly recognised* in the Report, which it were to be wished the Committee, (instead of uniformly dwelling on the dark side of the question), had more minutely, and more complacently considered. For that purpose it is proposed to compare the commercial and the financial circumstances of the country, for one year preceding the suspension of payments in cash at the Bank, and for another year preceeding the appointment of the Bullion Committee.

Comparison of the years 1809 *and* 1796, *in regard to Commerce, Public Credit, and Revenue.*

Exports, An, 1809	-	£50,301,763
Ditto, An. 1796	-	30,518,913
	Difference,	£19,782,850
Imports, An. 1809	-	36,255,209†
Ditto, An. 1796	-	23,187,319
	Difference,	£13,067,890

Average price of 3 per cent. consols. An. 1809	-	68	1	9
Ditto, An. 1796	-	58	18	7
Difference,		£9	3	2*
Rate of Interest on Loan, An. 1809	-	4	4	2¾
Ditto, An. 1796	-	4	13	3
Difference,		£ 0	9	0¼

* Estimating the East India and the China trade as in 1808, the account not being yet made up.

† This is the average price of the 3 per cent. consols. as purchased by the Commissioners for reducing the national debt.

If the value of the interest paid to the public creditor is depreciated, what an object it is, to have such an increased price for the capital?

Public Revenue, An. 1809		-	£59,031,348 *
Ditto, -	An. 1796	-	19,951,589
		Difference,	£30,079,759

Compared to our situation in 1796, such was the state of this country immediately prior to the year 1810, when we are told, "that "the opinions of persons of practical detail, "are vague and unsatisfactory;"† a new theory, unsanctioned by recent experience, is recommended to our adoption, and we are seriously called upon to overturn a system, on which our power and prosperity have arisen to a height altogether unexampled.

We shall now proceed more minutely to consider this inauspicious Report, adopting, with some alteration in point of arrangement, the four heads dwelt on by the Committee, namely, 1. the state of our exchanges: 2. the high price of Bullion; 3. the conduct

* How could such a revenue, and the immense trade, and more extended agriculture of this country be carried on, if the circulation of Bank notes were reduced to eleven millions, independent of Government paper, and commercial discount, as recommended by Sir Francis Baring?

† Report, p. 9, at bottom.

of the Bank of England, in the regulation of its paper currency; and, 4, the amount of our paper circulation, and whether it ought to be restricted. It will then be proper to examine the plans suggested by the Committee, for the amelioration *of our unfortunate condition* at the period when their labours commenced, of which *miserable state*, the reader, from the preceding accounts will be enabled to form some idea; a state which, it would appear, required none of those remedies, which the Committee have so incautiously, and so hastily recommended.

SECTION I.

THE RATE OF EXCHANGE.

The Rate of Exchange having been for some time past unfavourable to this country, and that circumstance having occasioned the high price of Bullion, and the alledged depreciation of our paper currency, it is proper to commence our observations on the Report with that branch of the subject. In the discussion of this head it will be necessary

to advert to the following particulars; 1. The causes of the rate of exchange being against this country; 2. whether the present state of our currency has any connexion whatever with that circumstance; and, 3. what are the most likely means of restoring the exchange to its former favourable rate.

1. CAUSES OF THE UNFAVOURABLE RATE OF THE EXCHANGE.

It were much to be wished that the Committee, instead of making a parade of the superiority of speculative politicians, over persons of practical detail,* had favoured us with *a distinct statement* of the various circumstances, which, in the opinion of the intelligent individuals who appeared before them, had occasioned that unfavourable rate, and not contented themselves with a few extracts from the evidence given by some of the witnesses. Nothing but the hurry with which the Report seems evidently to have been drawn up, can justify the neg-

* See Report, p. 10.

lecting so important a part of the duties of the Committee. It is not incumbent upon any other individual to supply the defect. At the same time, it may be satisfactory to the reader, to have the circumstances detailed, which are supposed to have contributed to an event, which the fertile imaginations of the Committee have magnified into such transcendant importance, that we are bound, in consequence thereof, to overthrow a system, under which this country has so eminently prospered.

The causes of the unfavourable rate of exchange are in a great measure *purely commercial;* though some of them are of a *mixed*, and some of a *political* nature, and some may be arranged under the general head of *miscellaneous.*

The *purely commercial* are, 1. a greater amount of import than usual, principally from the Baltic, from France, and from Holland.* 2. The trade having been carried

* Mr. Lyne's evidence, p. 60.

on in foreign ships, and at a very heavy expence of freight, sometimes to the amount of fifty per cent. on the original cost of the goods.* 3. The manner in which the price of the goods imported from the Baltic were drawn for; the bills being negociated immediately on the shipments taking place, without consulting much the interest of the proprietors in this country, who would naturally have wished to defer the negociation till a demand for such bills had taken place.† 4. The greater difficulty and hazard in carrying on bill and bullion operations between this country and the Continent, and also between some parts of the Continent and others, which consequently require greater profit, to cover those risks, and occasioned thereby an augmented depression in the exchange.‡ 5. The want of middle men, who formerly were accustomed to employ great capitals in exchange operations, but who, from the increased difficulties and dangers

* Mr. Greffulhe's evidence, p. 66.

† Evidence of Mr. ———

‡ Mr. Lyne, p. 60.

to which such operations are now subject, are at present rarely to be met with: such middle men were accustomed to make combined exchange operations, which tended to anticipate probable ultimate results;* and the rates of Exchange were thus kept more steady, than could have been the case without such aid. 6. The small amount of exports compared to imports in our trade with France and the Baltic.† 7. The long credit given to foreign merchants for goods exported, the price of which, particularly those sent to South America, has not yet come back.‡ and, 8. The lower prices at which foreigners obtained their supplies.§

The *mixed* causes, or those *partly commercial, and partly political*, are, the system of commercial warfare carried on against this country, by which the admission of British goods into the Continent was checked; communication even by letters became difficult and uncertain; whilst no suit at law could be

* Mr. ———, p. 82. Mr. Abraham Goldsmid, p. 94.
† Mr. Greffulhe, p. 66. Mr. Whitmore, p. 90.
‡ Mr. Lyne, p. 60. § Mr. Greffulhe, p. 68.

instituted in the Courts of Justice there, against any person who chose to resist the payment of a returned bill, or to dispute the charges of re-exchange.* 2. The decrease of foreign export, and consequently an unfavourable state of exchange, was also owing, not only to the decrees in France, but to the orders of council in England, and to the American embargo; the last in particular, by which the Americans were prevented from carrying their own produce, and the produce of the enemies colonies, to the Continent of Europe, which would have operated upon the exchange in a great measure, as an export from this country.†

The causes *purely political*, are, the payment of foreign subsidies, the maintenance of our troops abroad, and the bills drawn on our Government for naval and other expences in foreign countries ‡

The rate of exchange must also be affected

* Mr. ——— evidence, p. 78.

† Mr. Cunningham's evidence, p. 130.

‡ Mr. Greffulhe, p. 68. Mr. ——— p. 78.

by various circumstances of a *miscellaneous* nature, as the interest on capital in England possessed by foreigners, as well as on capital abroad belonging to inhabitants of Great Britain; the contraband trade between Great Britain and other countries, and the amount of bullion exported or imported.* These political and miscellaneous causes, not being included in those official documents, by which the *balance of trade* is commonly estimated, hence the rate of exchange must depend, not on that balance, *but on the balance of payments.*

2. WHETHER THE PRESENT STATE OF OUR CURRENCY HAS ANY CONNEXION WHATEVER WITH THE STATE OF THE EXCHANGE.

IN addition to these causes, some have contended, and it is the great object of the Report to establish that point, that the unfavourable rate of the exchange, is owing to the state of our currency, and that if we were once more to revert to our old system, and to remove all restrictions on the payment of cash at the

* Report, p. 12.

Bank, a favourable state of exchange would be the necessary consequence.

No doctrine can possibly be more adverse to the evidence annexed to the Report, whether as containing matter of opinion, or matter of fact. Let the reader consider what follows: "I do not agree in opinion with those who conceive that the depression in our exchanges, and the consequent export of our specie are occasioned by our circulating medium being confined to Bank notes; inasmuch as bills on foreign countries are here attainable, precisely at the same rates of exchange, whether they be be paid for in Bank notes, or in guineas." (Mr. Lyne's evidence, Report, p. 61.) "I conceive the state of the paper currency of this kingdom, and the state of the exchanges upon foreign parts, are subjects almost unconnected, and that have but little influence on each other. In proof I beg leave to adduce two facts, from which it appears, that at two several periods, the exchange, for a length of time, improved in favour of this country, whilst the amount of Bank notes was gradually increasing."

(Mr. Greffulhe's evidence, p. 70.) "I do not conceive that the diminution of the paper of the Bank, would, either immediately or remotely, tend, in any shape whatever, to an improvement of the exchange." (Mr. Harman's evidence, p. 143.) "The man who takes a bill at Hamburgh on London, purchases it for purposes of his own, *either to purchase a commodity, or to pay a debt.*" [Mr. Goldsmid's evidence, p. 43.] In *either case* it is evident the established currency of England will answer his purpose. Two accounts were also produced, one by Mr. Whitmore, intituled, "The amount of Bank notes in circulation on Saturday night in each week of the year 1797, and the course of exchange on Hamburgh on the following Tuesday; and the other by Mr. Pearse, intituled, a comparison of the amount of Bank notes, and rates of the Hamburgh exchange at various periods. (See Appendix to the Minutes of Evidence, Nos. 47 and 49), both proving in the most satisfactory manner, *as a matter of fact*, that there is no connexion whatever, between the amount of paper currency issued

by the Bank of England, and the rate of exchange.*

Sir Francis Baring indeed states,(and much weight is certainly due to the sentiments of so respectable a character), that the two great circumstances which affect the exchange, in its present unfavourable state, are, the restrictions upon trade with the Continent, and the increased circulation of this country in paper, as productive of the scarcity of bullion;† but he does not seem to have considered *the various other causes enumerated in the preceding section.* By another evidence, *the whole* depreciation of the exchange is ascribed *originally* to

* Nothing can be more decisive in support of the doctrine, that the amount of Bank Notes has no effect upon the exchange, than the paper given in by Mr. Pearse, No. 49, p. 199. From January 1803 to the end of the year 1807, a period of not less than about 4 years, the amount of Bank Notes fluctuated from 16½ to 18 millions, and the exchange on Hamburgh varied from 32*s.* 10*d.* to 35*s.* 6*d.* becoming more favourable as the amount of Bank Notes increased.

† Sir Francis Baring, in his evidence, alludes to the seven years war, and to the American; but how different the scales, either in regard to extent or duration, compared to the present?

the measures of the enemy, and its not having recovered itself, is attributed to the circumstance, of the paper of England not being exchangeable for cash.* But this doctrine is ably refuted by Mr. Lyne, who contends, that though gold, being of a more portable nature, would sooner find its way to the Continent, and consequently would produce *the speediest effect*, yet that merchandize of lawful export, would produce *a greater effect* in reducing the difference of exchange; for guineas, colonial produce, manufacture, or any other article of commerce, are all changeable or saleable on the Continent for the same article, namely, the circulating medium there, whatever that may be. The effect *on the Continent*, therefore, would be the same, whether goods or gold were made use of. Whereas, *on this side*, it would be infinitely better, instead of sending gold, (which would be confined to a few), to export goods, which would produce a competition, and a conse-

* Minutes, p. 79.

quent advance of exchange in favour of England.*

3. WHAT ARE THE MOST LIKELY MEANS OF RESTORING THE EXCHANGE TO ITS FORMER FAVOURABLE STATE?

THE great corrective of any mischief, arising from an unfavourable state of exchange, in the judgment of the Committee is, the repeal of the law which suspends the cash payments of the Bank of England.†

I wish most sincerely that the Committee had examined the subject more minutely, before they had hazarded such an opinion. A favourite evidence had declared, " that a free circulation, and liberty to export the coin of the country, in his opinion was the only effectual remedy;" but he adds, " if that is not deemed practicable, I conceive that many palliatives may be applied."‡ Yet the nature of those palliatives, the Committee never gave themselves any trouble to ascertain.

* See Mr. Lyne's valuable Communication. Report of the Committee, Appendix p. 60 and 61.

† Report, p. 31. ‡ See Appendix to the Report, p. 87.

Mr. Greffulhe, a most intelligent witness, states, "that at this moment the Board of Trade might promote an increase of the exports to France;"* but though such an exportation would have in some degree contributed to render the exchange more favourable, not the least inquiry is made into the grounds of so important an assertion. In short, it looks as if there were a fixed determination, neither to recommend, nor to make any minute inquiry, regarding any other remedy, but the opening of the Bank. That is the more to be lamented, as the Committee might easily have ascertained, that there was no difficulty in raising at home, or procuring from our colonies in America, or our possessions in the East Indies, a variety of articles, by means of which our imports would have been materially diminished, and by that alone an end put to that mighty bugbear, the unfavourable state of the exchange, the importance of which has been so greatly exaggerated. I have not the least doubt that our export trade also, might be greatly improved; but if we could only reduce our imports from hostile nations, the business would be accomplished. The

* Appendix to the Report, p. 68.

practicability of a very considerable diminution in that respect, I pledge myself, in the course of the ensuing session, to prove in Parliament.

SECTION II.

ON THE HIGH PRICE OF BULLION.

THE necessary consequence of an unfavourable rate of exchange is, an increased demand for coin or bullion, as being the readiest remittance, where bills, on moderate terms cannot be procured; in consequence of that demand the value of the precious metals must rise, as was experienced in the reign of King William, when guineas were as high as thirty shillings each.* Nothing however can be more absurd, than to make any rise in the price of bullion, the ground of serious alarm, more especially at a period like the present, when the nature and principles of circulation, are so much better understood than formerly was the case. To explain the grounds of this assertion, I shall submit to the reader's consideration, some political axioms regarding coin and bullion, which, however, unworthy they might be deemed the attention of

* Report, p. 17.

speculative politicians, yet I am glad to find are sanctioned by the authority of persons of practical detail.

GENERAL PRINCIPLES REGARDING COIN OR BULLION.

THE wealth of a nation properly consists in the goods or merchandize it possesses, whether arising from the produce of the soil, —from internal industry,—or from foreign commerce.

The precious metals, in which a part of that wealth consists, may be described as a species of merchandize, which, by common consent, answers three important purposes.

1. That of enabling individuals to receive the value of their labour, for an article universally exchangeable.

2. That of transferring property in goods, from one individual to another, or from one nation to another, without the trouble of actual barter; and,

3. That of enabling the government of a country to obtain a revenue, and to defray the public expences; for if the Exchequer were under the necessity of taking goods in kind, in what manner could the various arti-

cles it required, be either collected, or secured till wanted; or how could a nation fit out a fleet, or maintain an army, or defray the various other expences to which it is liable?

It is however, in early ages of society alone, before the credit of a government is established, and property, (whence the credit of the individual arises), is secured, that the precious metals exclusively answer these important purposes.—In ages of civilization and refinement, a well regulated paper currency, with a small proportion of these metals in a state of coinage, to which united, the general appellations of *circulation* or of *money* may be given, is equally useful, indeed on many accounts, to be afterwards explained,* even more advantageous; and the precious metals ought, in commercial periods of society, to be accounted merely as a species of merchandise, the increase or diminution of which, has no decisive influence on the wealth or prosperity of a country, and which, if left to itself, soon finds its just level.

* See the Appendix.

It was with much satisfaction, I found the idea, that coin or bullion ought to be considered merely as merchandize, sanctioned by the authority of some of the most respectable witnessses, examined before the Bullion Committee.*

But the rate of exchange is not the sole cause of the high price of bullion at present. It appears from the Appendix to the Report, that the following circumstances have contributed to that event. 1. The French when they were in Portugal, so drained that country of gold, that none could since be procured from that quarter.† 2. There is a great demand for bullion from jewellers, in consequence of their trade increasing,‡ and much gold is purchased for various branches of manufacture.§ 3. From the apprehension of a rupture between Great Britain and North America, a great desire was necessarily created on the part of our manufacturers, and dealers in cotton, to import that article from the Brazils, and in

* See Mr. Hughan's evidence, p. 62; Mr. Greffulhe's, p. 70; and Mr. Chambers's, p. 102.

† Mr. Lyne's evidence, p. 60.

‡ Mr. Merle's evidence, p. 50.

§ Mr. Binn's evidence, p. 44.

order to procure it, gold and silver were exported to that country, both because in the Brazils there were no takers of bills on England, and as the importer could make his purchases more rapidly by sending cash.* 4. It is also stated, that there has been an unusual demand for gold, for the use of the French armies.† 5. But above all, the state of the times, the failure of confidence, and the apprehension of future revolutions, have led to the practice of *hoarding*, and consequently the withdrawing of gold altogether from circulation, and that to a considerable extent.‡ Whilst matters therefore continue as they are, it is in vain to expect that gold can become abundant, however much it might be given out. When a person *is resolved to hoard*, he does not consider the price he pays for the article he is in search of. A few shillings more or less, which would alarm a Bullion Committee, would be considered of little moment, if he could thereby obtain his object, that of securing a hidden store for times of difficulty and danger.

Who ever takes the trouble of considering

* Evidence of Mr. Lyne. This gold and silver, I understand, is now returning fast.

† Mr. Goldsmith's evidence, p. 56.

‡ Mr. Greffulhe's evidence, p. 101.

these observations, will probably be of opinion, that bullion is merely merchandize; that we might as well institute an inquiry into the price of diamonds, of cochineal, or of sugar, as of gold; and that compelling the Bank of England to pay in cash, were it a practicable measure, could be of no service whatever in the present state of Europe, exposed as it is to endless calamities, and liable to every species of plunder and oppression.

SECTION III.

ON THE CONDUCT OF THE BANK OF ENGLAND IN REGARD TO ITS CIRCULATION.

THE lofty manner in which the Directors of the Bank of England are told, "that they possess no distinct and certain rule to guide their discretion in controlling the amount of their circulation, and that their recent policy involves *great practical errors*, which, it is of the utmost public importance to correct,"* comes with peculiar grace from a Committee, who have not stated, *in precise terms*, the rules which the Directors have actually laid down, and examined their efficiency.

* Report, p. 24.

The rules on which the conduct of the Bank is regulated, in regard to the issuing of its notes, may thus be shortly stated. 1. To advance to Government on the security of Exchequer Bills, issued on the credit of taxes, the produce of which is constantly coming in. 2. To advance on Exchequer Bills, issued under the authority of Parliament for various purposes, if other purchasers do not offer, when it is necessary to relieve the market for the accommodation of the public.* 3. To advance on the loans of the year, the repayment of which can be depended on, as the fund is pledged for the advance, and can be sold if necessary. 4. To advance on legitimate mercantile paper, payable within two months, or at any shorter period, and having three names on it. 5. Never to advance at less interest than 5 per cent.; and 6. To consider not only the solidity of the paper, *but also the amount of the accommodation the individual applying for it already has.* †

It is owing to the Committee having kept this last rule entirely out of their view, that they triumphantly exclaim, " though the

* See Mr. Pearse's evidence, p. 118.

† See Mr. Whitmore's evidence, p. 89.

Directors state the broad principle that there can be no excess of their circulation, if issued according to the rules of discount, yet they disclaim the idea of acting up to it in its whole extent."* They cannot act up to it in its whole extent, because they must restrict their advances to individual applicants, and must not risk too much property on the same security. Besides, the instant any superfluous issue is made, it reverts upon the Bank; for no individual, particularly any person conversant in business, will ever think of keeping in his possession any paper for which he has no occasion, and for which he must pay an interest of 5 per cent. Bankers, therefore, contrive every possible means, to diminish the amount of notes in their possession, in which, if they had not been successful, even the present amount of notes would have been too much restricted for the circulation and increasing demands of the country.

But the best answer to any charge of over-issuing on the part of the Bank, is this,—that if the large notes of the Bank were to be diminished, in the proportion of one half, it

* Report, p. 24.

would be impossible to conduct the affairs of the metropolis;* and as it is, with all the paper now in circulation, "*There is a period prior to the payment of the dividends, in which large sums of money are paid to the Bank from tax gatherers, which, at such times occasions great scarcity, and is an inconvenience to trade.*" †

If that is the case at present, to what a state OF ACTUAL MISERY would not the mercantile interest be reduced, if there were to be any material reduction in the accommodation they now receive, or if the amount of our paper circulation were to be materially diminished?

SECTION IV.

ON THE AMOUNT OF OUR PAPER CIRCULATION, AND WHETHER IT OUGHT TO BE DIMINISHED.

IN a paper printed by way of Appendix, I have endeavoured briefly to explain, the general nature of coin, or money, the advantages of paper currency, and the necessity of preserving the circulating medium, in propor-

* See Mr. Tritton's evidence, p. 142.

† Mr. Richardson's evidence, p. 149.

tion to the demands for it, rather than suffering it to diminish.

It is there observed, that *Money*, (by which is meant a well regulated paper currency, with a certain proportion of coin) becomes, in a civilized state of society, the medium of barter both for labour and goods, and in a manner the source or basis of Public Revenue. It is necessary therefore to preserve a due proportion between its amount, and 1. The quantity of labour that must be paid for; 2. The quantity of goods or merchandize, the property of which must be transferred; and 3. The total amount of the demands and expences of the Exchequer, whether arising from taxes, public loans, or any extraordinary species of contribution.

The quantity of the medium of circulation, however, instead of being stationary, ought to be increasing.

1. To promote a greater quantum of labour, on the increase of which the wealth and prosperity of a country so much depend, and which is always increasing where a circulating medium abounds.

2. To facilitate the transfer of a greater quantity of goods, among a greater body of

people, as the commerce and population of a prosperous country are always augmenting; and,

3. To enable the people, should it be necessary, to furnish, without inconvenience, greater supplies to the Exchequer.

These general principles are then applied: 1. To the case of an increased quantum of labour or industry; 2. To an increased commerce in, or transfer of goods; and 3. To an increased revenue: and the deduction from the whole is this, "that an increase of labour "or industry, a more extended commerce, "and an encreased revenue, require perpetual "additions to the circulating medium of a "country."

Being deeply impressed with the incontrovertible solidity of these doctrines, I cannot possibly concur in any measures for reducing our circulating medium, and thereby cramping all our exertions, and materially endangering our security. Whether any regulations are necessary regarding Country Bankers, for the protection of the public against fraud, is an important subject, different from the question regarding the quantum of circulation; but in regard to the Bank

of England, as it is proved that no pains are taken to force Bank notes into circulation, or to retain them in it, no material excess, in the opinions of the most respectable practical authorities, can therefore take place. No circulation, unless forced, can go beyond what the immediate wants of the public require, for if there is any redundancy, it immediately reverts on the Bank that issues it.* The Committee do not concur in these opinions. Unfortunately they seem extremely unwilling to give much weight to the doctrines of persons, who have nothing but experience, and practical detail, to recommend them to attention.

SECTION V.

ON THE MEASURES RECOMMENDED BY THE COMMITTEE.

WE shall now proceed to consider the plan recommended by the Committee, that of repealing the law which suspends the cash payments of the Bank of England, and removing any restriction on such payments, at the period of two years from the present time, (Report, p. 31,) previously making some ob-

* Mr. Whitmore's evidence, p. 79, and 97.

servations on the grounds on which that system is founded.

We are told in the (Report, p. 31,) that any such general excess of currency as lowers its relative value, is attended with disadvantages to the country. If it were granted, that to a certain extent, such was the case, the question is, whether *the advantages* do not preponderate? If the new system we have adopted, contributes to the public safety, enables us to carry on the most momentous war in which we ever were engaged, increases our agriculture, our commerce and revenue, places us, as admitted by the Committee, (Report, p. 28), *in a high state of mercantile and public credit*, and makes us, as I trust will continue to be the case, the admiration of the universe; what matters it then, whether the circulation of gold or of paper is the instrument of our prosperity? But above all, the apprehensions entertained by the Committee, that the situation of the country labourer is thereby deteriorated, has no foundation whatever. Their comfort depends, not on having occasionally high wages, but on their having a regular and constant demand for their labour. That can only be the case where

a circulating medium abounds. Where that circumstance takes place, no man need to remain idle; and where the demand is great, wages will rise more rapidly, than where persons are deterred from employing labourers, by the difficulty they find in paying them. Besides, in England, the country labourer and his family are secured by law in their subsistence; and in Scotland, servants in husbandry, are chiefly paid in kind, and consequently their income increases, with the price of those commodities in which the greater part of their wages is advanced.

As to the idea entertained by the Committee, that our paper currency is depreciated, a number of the most intelligent witnesses brought before it, have proved the reverse.* It may sometimes be difficult to

* "I do not believe that there has been any difference in paying in specie, or Bank paper." [Mr. Merle's evidence, Report p. 52.] "The dearness of gold and silver cannot be called a discount on Bank notes." [Mr. Greffulhe's evidence, p. 71.] "I never considered Bank notes to be depreciated." [Mr. Abraham Goldsmid's evidence, p. 93.] Mr. Chambers is asked, "Is it your opinion that the currency of England is depreciated." Answer—"*Certainly not.*" [Report, p. 102.] Mr. Coningham is asked, "Do you consider the paper currency

obtain silver for a note, but it would be equally so to get change for a guinea; and the scarcity of silver money will never be got rid of, until we put a proper seignorage on the coinage of that species of metal. Not knowing what effects might result from the doctrines of so respectable a Committee, I had provided myself, when lately coming from Edinburgh to London, with some gold, in addition to the notes of the Bank of England. I found, however, the coin quite useless, and in a journey of about four hundred miles, not the least hesitation was expressed, to receive, and, when necessary, to change into silver, *the depreciated currency of the country*.

But we are told, that a reduction of paper circulation, would diminish the price of provisions. Would it not, however, in a still greater proportion, disable the great body of the people from having the means of purchasing them? Would not lower prices also, have a tendency to discourage the growth of grain, and to damp the exertions of the farmer? The wonder is, not that

of this country as depreciated." Answer—"*Certainly not*." Report, p. 128.

provisions are high, but that with such a war, against such an enemy, with armies in every quarter of the globe, and fleets commanding every ocean in it, we should be able at the same time, to carry on our agriculture, manufactures, and commerce, in the manner, and to the extent we are doing. *Nothing else gives us ability to go on, but the abundance of our circulating medium, which operates like blood in the human frame, nourishing every part of the system, and enabling it to perform its functions.*

In regard to the plan of opening the Bank for payment in cash in two years, there are three points to be considered. 1. Is it practicable? 2. Would it be of any use? and, 3. Would it not be, instead of an advantage, a material detriment to the public?

1. IS IT PRACTICABLE TO OPEN THE BANK IN TWO YEARS.

SINCE it was found necessary to prevent the payment of cash at the Bank of England, when the exchange was in our favour, and when the Notes in circulation, including Bank Post Bills, amounted to the sum of

only 8,640,250*l.* (which was the case on the 27th Feb. 1797): how is it possible then to remove the restriction, when the amount of the Bank circulation, is now stated by the Committee, (Report, p. 25.), at 21,249,980*l.*, making a difference of 12,609,730*l.*, besides an addition of at least 10,000,000*l.* by the paper of Country Banks? It would be necessary, in order to carry on this great operation, to export goods, to the amount of at least 20,000,000*l.*, without knowing where to find markets that would take such a quantity, *and give us bullion in return*; and if we could import bullion to that amount, the present unfavourable rate of exchange, would be constantly draining it away, in addition to all the diminution that would arise from hoarding. The idea of sending out 20,000,000*l.* of the property of this country, for the sole purpose of obtaining a medium of circulation, when we can do without it, *is so absurd*, and the impracticability of acquiring, and still more of the retaining the gold or silver we could obtain, after it came, *is so self-evident*, that it is astonishing how such a measure could possibly be recommended by any respectable authority. The Com-

mittee itself, (Report p. 32.), admit, that in the present state of our circulation, it would be hazardous to compel the Bank to pay cash in six months; and indeed they acknowledge, that in so short a period it would be found wholly impracticable. They therefore recommend that the space of two years should elapse before the restriction is removed. But what reason have we to expect, that the measure would be more practicable two years hence, than at present? The real cause why the payments in cash at the Bank are suspended, is the unprecedented state of the Continent of Europe. Whilst it remains subjected to the power of one individual, the determined enemy of this country, it is hardly to be expected, that the Bank of England can be opened. The attempt would be in vain, and were it tried, we should once more be reduced to the necessity, *with increased disadvantages*, of shutting up the Bank.

2. WOULD IT BE OF ANY USE TO OPEN THE BANK FOR PAYMENT IN CASH?

But were the measure practicable, I do not see any possible advantage that could be derived from it. The value of gold, instead of falling, must rise, in consequence of the greater demand for it. The exchange could only be affected by it, in so far as the bullion that was exported could go, and not a step farther. Besides, there is a great fallacy in the argument, that opening the Bank would improve the exchange, by the exportation of bullion. By the existing laws, no gold can be exported but in the shape of foreign coinage, or of bullion, not melted into bars from the Coin of this country. It would be of little consequence, therefore, if that law continued in force, whether the Bank issued guineas, or not, provided those guineas could not be exported. The possibility of such a measure having any effect upon the exchange, must therefore entirely depend on the supposition, that guineas might be exported in payment of our foreign debts,

which cannot be done, without either smuggling, or a total alteration of the law with regard to that important branch of our policy.

Indeed compelling the Bank to give gold and silver in exchange for notes, would induce the nation in general to believe, that there must be some considerable advantage in possessing coin instead of paper. Every individual would thence be anxious to secure as much specie as possible, and the system of private accumulation, however unnecessary, would increase, and thus the credit of our paper circulation would inevitably be shaken.

3. WOULD IT NOT BE, INSTEAD OF AN ADVANTAGE, A MATERIAL DETRIMENT TO THE PUBLIC, TO OPEN THE BANK?

WHEN Mr. Whitmore, Governor of the Bank of England at the time, was asked, "Whether opening the Bank would be likely to produce any derangement of our commerce; and whether, if the measure were determined on by Parliament, some restrictions of the Bank issues ought not to take place, with a view to prepare for the opening?" his answer was—"Provided it was imperative on the Bank to open, I should think a restriction of the Bank issues would be necessary, *notwithstanding the fatal consequences that might arise from it to the commerce and revenue of the country.*"*

With this declaration from the greatest practical authority staring them in the face, the Committee do not scruple to recommend a measure, "that would be attended with "fatal consequences to the commerce and "revenue of the country."

* Appendix to the Report, p. 126.

There is nothing, indeed, that speculative politicians, who entertain a peculiar prejudice in favour of any particular doctrine, will not approve of, if it has the effect of establishing the system they wish to recommend. All the immediate mischief is overlooked, from the expectation of future advantages which may never be realized. There cannot be a stronger proof of this assertion, than the opinion declared to this Committee by one of the witnesses brought before it. He broadly states "that however great the *inconvenience* to individuals, he conceives that a very material reduction of the circulating medium in this country, (by which he does not mean to make any distinction between coin and paper), would have the immediate effect of raising the exchange so far above par, as to enable foreigners to send bullion to this country for the liquidation of their debt, provided this principle were carried to such an extremity."* Is it not astonishing the coolness with which this witness talks of individuals being put to an *inconvenience* by the want of the circulating medium; in other

* Appendix, p. 85.

words, of money to carry on their business? Is it nothing but *inconvenience* to a merchant, to be unable to pay the demands upon him; to be obliged to call his creditors together; to appear as a bankrupt in the Gazette; and to see his wife and family, and perhaps a number of his dearest connexions, reduced to beggary and ruin? Yet thousands of respectable individuals, now carrying on a flourishing commerce, might be reduced to such *inconveniencies*, if the wild and impracticable chimera, of compelling the Bank to pay in cash, were attempted to be carried into effect.

Nor would these inconveniencies be restricted to commercial men: the landed and farming interests would suffer perhaps in a still greater degree. They are at present enabled to go on, notwithstanding the increased expence of cultivation, and the pressure of heavy taxes, in consequence of the additional prices which their commodities fetch, and the facility with which they obtain payment, owing to the abundance of a circulating medium; but if the taxes remain as they are, and if, in con-

sequence of the diminution of the circulating medium, their commodities should become unsaleable, except at low prices, and with payments either distant or uncertain, *the agricultural interest would be undone.* To this important subject, I earnestly request their particular attention before it is too late. Let them recollect, that they are fully as much interested, as any other class of the community, in keeping up an abundant, rather than a diminished medium of circulation.

But the most alarming circumstance is, the mischievous effect that it would have on the public revenue and credit of the country. If our circulating medium were reduced one half, (which must be the case if the Bank were opened), the revenue would fall in proportion. It would then be necessary, either to diminish the interests of the public funds, to one half, or to dismiss one half of our fleets and armies.—That is the dilemma to which Napoleon would wish to reduce us. Little did he imagine, that so favourite an object, would be promoted by British politicians, who, in their rage for establishing speculative doctrines consider the opinions of persons of practical detail, "*as vague and unsatisfactory.*"

SIR JOHN SINCLAIR'S REMARKS ON MR. HUSKISSON'S PAMPHLET.

WITH AN EXPLANATION OF THE REAL NATURE, AND ADVANTAGES, OF THE PRESENT SYSTEM OF CIRCULATION.

"Had matters been left without any change at all, no bad "consequences would have followed. *These existed only in the "heads of Theorists.*" (Sir James Steuart's Pol. Econ. Book IV, cap. 31).

REMARKS

ON A

PAMPHLET INTITLED,

"*The Question concerning the Depreciation of the "Currency Stated and Examined.*" BY WILLIAM HUSKISSON, ESQ. M. P.

TOGETHER WITH

SEVERAL POLITICAL MAXIMS

REGARDING

COIN AND PAPER CURRENCY,

INTENDED TO EXPLAIN THE REAL NATURE, AND ADVANTAGES, OF THE PRESENT SYSTEM.

BY

THE RIGHT HONOURABLE
SIR JOHN SINCLAIR, BART. M. P.
AUTHOR OF THE HISTORY OF THE PUBLIC REVENUE OF THE BRITISH EMPIRE.

LONDON:

PRINTED BY W. BULMER AND CO. CLEVELAND-ROW, ST. JAMES'S;
AND SOLD BY T. CADELL AND W. DAVIES, STRAND;
J. STOCKDALE, PICCADILLY; AND
J. M. RICHARDSON, CORNHILL.

1810.

[*Price Two Shillings and Sixpence.*]

ADDRESS TO THE READER.

SOME facts have recently come to my knowledge regarding, 1. A fall in the price of gold; and, 2. The rate of exchange with Ireland, which, I trust, will put an end to any prolonged discussion respecting the propriety of altering our present system of circulation: I thought it right, therefore, to lose no time in laying them before the Public. It seemed to me also necessary, to state some observations, on the proposed measure of compelling the Bank of England to purchase bullion at any price, and to add a statement of that fall in the value of funded property, which has taken place, in consequence of the alarm occasioned by the proceedings of the Bullion Committee.

1. *Fall in the Price of Gold.*

The foundation of the whole proceedings of the Bullion Committee rested upon this fact, that the market price of gold, when the Report was ordered to be printed, (8th June, 1810), was £4. 10*s*. per oz. or $15\frac{1}{2}$ per cent. above the Mint price. (Rep. p. 1). This was attributed to an excess in the paper circulation of the country:

(Rep. p. 30). It was therefore contended, "that "a rise in the market price of gold, was the "effect of an excessive quantity of circulating "medium in a country, which has adopted a "currency, not exportable to other countries, "or not convertible at will into a coin which is "exportable." (Report, p. 8).

All these speculations, however, are now fortunately overturned by one plain fact, of which I have just been informed, from most unexceptionable authority (Mr. Merle). He states, that according to the last prices, gold bullion has already fallen in price 7 per cent. and consequently that the price of gold, instead of being 15½, is only 8½ per cent. above the Mint price.* There is reason also, to hope that, notwithstanding the

* The Committee made the difference 15½ per cent. in the following manner:

Foreign bars	22oz.	4 10 a 90	£100	0	0
Bars at the coinage price -	22	4 10 a 77	86	10	5
			£13	9	7

which on £86. 10*s*. 5*d*. is at the rate of 15½ per cent.

The present difference is thus calculated:

Foreign bars (at the price in June 1810),	22oz.	4 10 a 90	£100	0	0
The present price	22	4 10 a 84 6	93	17	7
			6	2	5

which upon the sum of £93. 17*s*. 7*d*. is as nearly as possible 7 per cent.; and which deducted from 15½, leaves the difference between the present market price, and the Mint price, only 8½ per cent. which has often been the case before.

alledged excess of Bank nôtes, and the consequent alledged depreciation of our currency, (neither of which assertions have any just foundation), that it will be still lower; but at any rate, if there were any good grounds for the doctrines of the Committee, regarding the effect of paper currency on the price of gold, how could it have fallen even 5 per cent. in so short a period?

2. *Exchange with Ireland.*

Another favourite doctrine is, that any great fall in the rate of exchange, is owing to excess of currency: let us see how far such an idea is justified by fact.

In the year 1804, an alarm was created regarding the state of exchange between this country and Ireland, which it was contended, was altogether owing to the excess of paper issued by the Bank of Ireland;* and ingenious men amused themselves with speculations regarding the alarming state of Ireland, and the necessity of redressing its pecuniary grievances. The Directors of the Bank of Ireland took

* This doctrine was very ably maintained by Lord Lauderdale, in a pamphlet intitled "Thoughts on the Alarming "State of the Circulation, and on the means of redressing "the Pecuniary Grievances in Ireland." Printed Anno 1805.

fright at the inquiry, and actually reduced their circulation from £3,000,000. to £2,410,000. It appears, however, from the Report of the Bullion Committee, (p. 19), that the Directors of that Bank, had again, most wisely, increased their issue to £3,100,000. What has been the consequence of a greater issue than ever? Not an exchange of 18 per cent. against Ireland, as was the case in the year 1804, but an exchange of $9\frac{3}{4}$, which is only $1\frac{1}{2}$ per cent. above par; and about two years ago, it was under 8 per cent. whilst the par is $8\frac{1}{3}$. Is not that fact a decisive proof, that abundance of currency has nothing to do with the rate of exchange, and that the Directors of the Bank of England, *did not fall into a great practical error*, when they regulated their issues, neither by the price of bullion, nor the rate of exchange?

3. *On the Bank of England being compelled to purchase Gold at any Price, to carry on its Circulation.*

It is recommended by the Bullion Committee, that two years hence, the Bank of England shall be compelled to exchange its notes for gold, in which case, it must purchase bullion at any price. This plan was recommended by the Committee, when the price of gold was £4. 10*s.* per oz. and as the Mint price is only £3. 17*s.* $10\frac{1}{2}$*d.* it

is evident, that the Bank must lose $15\frac{1}{2}$ per cent. by all such transactions. The Bank of England maintains its credit and character, by carrying on a profitable business, under a most judicious system;* but if it were to engage in great transactions, by which it was to lose $15\frac{1}{2}$ per cent. I should be glad to know, what would be thought of the wisdom of its Directors. In fact, the Bank, with such a burden, must give up issuing paper. Indeed, no one would take the notes of a corporation, that would persevere in carrying on so ruinous a business.

Mr. Huskisson having, however, proved to his own conviction, that a light guinea is more valuable than a heavy one, he will next, I suppose, undertake to persuade the Directors of the Bank of England, that purchasing bullion, with a loss of only 10 or 15 per cent. is a most profitable transaction.

* The rules of the Bank of England are highly judicious, and I believe strictly observed. They never issue a note but, 1. On mercantile paper, that seems to them perfectly unexceptionable; (and I believe the losses they sustain by discounting such paper, considering the extent of their transactions, are very inconsiderable;) or, 2. On Parliamentary security. And here it is proper to observe, that they never advance any money on public securities, unless a Bill has not only gone through both Houses, but has actually received the Royal Assent; the Votes of the House of Commons, though sanctioned by the Lords, not being considered as sufficient.

4, *Upon the Fall in the Value of the Funded Property of the Country, in consequence of the Proceedings of the Bullion Committee.*

It is admitted by the Bullion Committee, that the country was in a high state of mercantile, and of public credit, when its inquiries commenced. The numerous bankruptcies, which have since happened, may have been principally occasioned by other causes, but the fall which has taken place in the value of stocks, must be greatly owing to the attack that has most unfortunately been made on our circulation. Its effects abroad have been so great, that, I understand, there never was so much stock belonging to foreigners, in proportion to the extent of foreign property, sold, as since the Report of the Bullion Committee has been in circulation. The remitting of the value of the stock thus sold, has rendered the exchange, (if any exchange can be said to exist at such a time), less favourable than otherwise would have been the case. In order to ascertain to what extent that fall has gone, I thought it necessary to procure, a statement of the prices of the different stocks, on the 22d February, and 1st December 1810, to which the reader's attention is earnestly requested.

Names of the different stocks.	Prices on the 22d Feb. 1810.	Prices on the 1st. Dec. 1810.	Difference (decrease)	Capital of each stock.	Amount of difference of prices on each capital.
Bank Stock -	$275\frac{3}{4}$	$243\frac{3}{4}$	32	11,642,400	3,725,568
3*l.* per cent. reduced anns.	$68\frac{1}{4}$	$65\frac{5}{8}$	$2\frac{5}{8}$	183,472,794	4,816,160
3*l.* per cent. consols.	$67\frac{3}{4}$	$66\frac{3}{8}$	$1\frac{3}{8}$	422,975,433	5,815,912
4*l.* per cent. annuities	$83\frac{7}{8}$	82	$1\frac{7}{8}$	71,491,696	1,340,460
Long annuities -	$18\frac{7}{16}$	$17\frac{5}{8}$	$\frac{13}{16}$	1,203,185	977,587
Imperial 3 per cent. -	$66\frac{7}{8}$	$65\frac{1}{8}$	$1\frac{3}{4}$	7,502,633	133,296
Ditto annuities -	$7\frac{1}{4}$	$6\frac{1}{16}$	$1\frac{3}{16}$	230,000	273,125
South Sea stock -	$72\frac{1}{2}$ (9 March)	72 29 Nov.	$\frac{1}{2}$	3,662,784	18,313
Old South Sea annuities	$68\frac{1}{8}$	$66\frac{1}{8}$ } 27th	2	11,907,470	238,149
New do. do. -	$67\frac{3}{8}$ (5 March)	67 } Nov.	$\frac{3}{8}$	8,494,830	31,855
3*l.* per cent. 1751 -	No prices given				
India Stock -	$186\frac{1}{2}$	$183\frac{1}{2}$ 30th Nov.	3	6,000,000	180,000
					£17,548,425
			increase		
5 per cent. navy annuities	$99\frac{3}{8}$	100	$\frac{5}{8}$	58,549,404	365,933
					17,182,492

Thus it appears, that the value of funded property, has already fallen to the enormous amount of 17,182,492*l.* It is to be hoped that such a statement will awaken the attention of the proprietors of the stocks in general, to the necessity of preserving our present system of circulation unimpaired, and to the danger of tampering with our paper currency at such a time as this.

From the preceding statement it is evident, that the proprietors of Bank stock, have already suffered, in the value of their property, to the amount of nearly four millions sterling, (3,725,568*l.*) It is farther suggested, that they shall carry on a commerce, by one branch of what they are to lose at the rate of from 8 to 15½ per cent.; yet when these proprietors are assembled, it is considered to be indecorous in them, to raise any clamour against proceedings, by which their most substantial interests are so deeply affected.

On the whole, whoever will take the trouble of considering the facts above detailed, and the observations arising therefrom, must see the danger of permitting visionary speculations, to interfere with the practical concerns of Government; more especially, regarding measures, on which depend the interests and the comforts

of all classes of society. In the words of Sir James Steuart, " if matters are left without any " change at all, no bad consequences will " follow. These exist only in the heads of " theorists."

ADVERTISEMENT.

It is much to be lamented, that any controversy regarding the circulation of the country, should have arisen at a moment, when we have so many other important questions to distract our attention. Those who wish for an alteration in the established system, admit, that the nation, immediately prior to the publication of the Bullion Report, "was in a high state "of mercantile, and of public credit;" the friends of the existing system, therefore, are extremely apprehensive, that any change in our circulation, might completely overthrow that proud situation which we have so long maintained. The opponents of the present system, on the other hand, contend, that an unre-

stricted issue of paper, has occasioned the high price of Bullion, and an unfavourable rate of exchange; and instead of exercising their ingenuity, to discover other modes by which the excess might be limited, there is none, they affirm, but the power of converting our paper currency into coin. If the issue of Paper, however, be too extensive, various modes might be thought of, that would answer that purpose, without running the risk of destroying a system, under which, although it may have been attended with some disadvantages, the nation has flourished.

All that the friends to the present system seem to wish for is, that matters should be suffered to remain as they are, during the course of the present war, resting the responsibility of any mischief that can possibly result therefrom, on the Ministers of the Crown, on the one hand, and on the Bank Directors on the other. If the power vested in the latter, should be reckoned too great, restrict their power, but do not destroy the system. When the war shall be over, the subject may then be resumed without public danger; and Parliament, with more leisure to discuss

the subject, and with some additional experience, will be enabled to devise such regulations, regarding the circulation of the country, as may contribute to, and, I trust, confirm, its prosperity.

Comparison of the years 1809 *and* 1796, *in regard to Commerce, Public Credit and Revenue.*

In order that the reader may be fully aware of the importance of the subject now under discussion, how much the nation has flourished, in a variety of important particulars, since the Restriction Bill took place, and what its state would be, if the former system was re-established, his attention to the following statements is earnestly requested.

It may be proper to add, that the year 1809, was the one immediately prior to the appointment of the Bullion Committee; and the year 1796, was the one immediately prior to the restriction on payments in cash at the Bank of England.

Exports, An, 1809 - -	£50,301,763
Ditto, An. 1796 - -	30,518,913
Difference,	£19,782,850

Imports, An. 1809	-	£36,255,209*
Ditto, An. 1796	-	23,187,319
	Difference,	£13,067,890
Average price of 3 per cent. consols. An. 1809	-	68 1 9
Ditto, An. 1796	-	58 18 7
	Difference,	£9 3 2†
Rate of Interest on Loan, An. 1809	-	4 4 2¼
Ditto, - An. 1796		4 13 3
	Difference,	£ 0 9 0¼
Public Revenue, An. 1809	-	£59,031,848 ‡
Ditto, - An. 1796	-	19,951,589
	Difference,	£39,080,259

Is it possible that any individual can seriously

* Estimating the East India and the China trade as in 1808, the account not being yet made up.

† This is the average price of the 3 per cent. consols. as purchased by the Commissioners for reducing the national debt.

If the value of the interest paid to the public creditor be depreciated, what an object it is, to have such an increased price for the capital?

‡ How could such a revenue, and the immense trade, and more extended agriculture of this country be carried on, if the circulation of Bank notes were reduced to eleven millions, independent of Government paper, and commercial discount, as recommended by Sir Francis Baring?

resolve to tamper with the situation of a country, which the preceding statements represent to be so uncommonly flourishing? Is it not fair to reason, that if our circulation were reduced to its amount in 1796, (which would necessarily result from the suggestions of the Bullion Committee), that our commerce and revenue would not differ materially from what they were at that time? That our stocks would be *reduced* to the same price, which then was the case? whilst the interest on our public loans would be *increased* to the same standard?—Above all, how would it be possible, with a circulation diminished to at least one half of its present amount, to furnish the same revenue? I question much, whether in that case, we should be able to pay even the nineteen millions which were raised in the year 1796; and if more were attempted to be exacted, can it be doubted, that every individual in the country would be placed in a situation of the utmost difficulty and distress?

I earnestly, therefore, intreat those, who have any stake in the country, of whatever

description, to unite in maintaining a system, which, in the present circumstances of Europe, can alone preserve the nation from destruction.

It is an old and a true saying, " *Fas est, et ab hoste doceri:*" Let us endeavour, therefore, to ascertain, what are the wishes of the enemy in regard to the renewal of cash payments at the Bank; for we may be well assured, that the measures that France would recommend, it is not for our interest to follow.

Fortunately, the wishes of France, in this respect, have been publicly announced from official authority.* Napoleon has not been able to dissemble his joy, at the prospect, of seeing the greatest obstacle to his ambitious views, (the credit and circulation of this country), as he vainly flattered himself, on the eve of being destroyed; and he had already anticipated the glorious era, when one half of the merchants of England would be compelled to stop payment, and when his favourite measures of commercial hostilities against us, (his decrees of Berlin and of Milan), would be

* The Journal de l' Empire is a Government paper.]

felt *in their full force.* He believes us so infatuated, that *his warning voice* will not awaken us to a sense of our danger. The measure of opening the Bank, however, fortunately has not yet been resolved on, by any authority capable of carrying it into effect; and I trust, when its mischievous consequences are duly considered, it will not, till the times are materially altered, be seriously attempted.

I cannot conclude without stating my full conviction, if it were to be enacted that the Bank should resume its payments in cash, that it would be utterly impossible to procure coin sufficient, to carry on our immense commerce, and our improving and more extended agriculture; to maintain our great fleets, and our numerous armies; to collect our increasing revenue; to defray our vast expenditure; and, in short, to carry on the multiplied daily and hourly transactions of common life. All these would in a great measure be brought to a stand, if our paper currency were to be annihilated. It would be much the same thing, in these unheard of times, if the Bank were again compelled to

resume its payments in cash; *for, in that case, it could hardly venture to issue a note, without having specie ready to exchange for it.* We have lately heard much of the miserable state to which numbers in Salisbury were reduced, where, *for want of a circulating medium that would pass,* they could hardly procure a morsel of bread. If those who have excited a clamour against bank-notes, were to be successful, the public at large, would soon experience the same difficulties. Men, from distress and despair, would then become ripe for revolution, and ready to involve themselves and their country, in all the horrors attending it.

If our present system therefore were unfortunately to be overturned, whoever might live to make the comparison, would probably find, that the year 1809, and the commencement of the year 1810, were the most flourishing periods in our history, in regard to commerce, revenue, finance, *and every species of agricultural and internal improvement*, the best and most substantial sources of public prosperity.

London,
December 8, 1810.

PRELIMINARY OBSERVATIONS.

HAVING already stated, in the History of the Public Revenue of the British Empire,* my sentiments on the circulation and paper currency of the country; and having so lately published my thoughts on the Report of the Bullion Committee; I had resolved to reserve, what farther observations had either occurred to myself, or had been communicated to me by

* See Hist. of the Revenue, printed, An. 1803, Vol. II. p. 318 and 319, &c. It is therein stated, about seven years ago, "that it is hardly possible to suppose, that the Bank "of England, as at present constituted, can ever again open "to any effective purpose, as the least rumour of war, "or any continuance of an unfavourable state of exchange, "must compel it to shut again its coffers, and to suspend its "payments in cash." Nothing can be more unfair therefore than to attribute any change of opinions in the author of that work, though, where there are grounds for it, why should an erroneous opinion be pertinaceously persevered in, because it happened once, perhaps hastily, to be taken up. In regard to coin and paper currency, the author of this work, wished to maintain, as long as possible, the credit of the Bank of England on its original footing: he now sees clearly the advantages of the new system, and is bound, as a friend to the public welfare, to defend it.

others, regarding these important subjects, until the question came to be discussed in Parliament, where the solidity of the arguments to be adduced on either side must ultimately be determined; but having been led to peruse a work, entitled, "The Question concerning the "Depreciation of our Currency, stated and ex-"amined, by W. Huskisson, Esq." I found myself therein so pointedly called upon, to explain, and vindicate the opinions I entertain,* that, however unwilling to enter the lists of political controversy, I could hardly avoid accepting of a challenge thus publicly announced. It seems to me, independently of these personal considerations, incumbent upon those,

* Mr. Huskisson says in his Preface, p. 11. "I am "anxious to meet upon a fair and equal footing, *those per-"sons who have publickly attacked the Report of the Com-"mittee.* I wish to draw from them either an admission of "the *principles* which I state; *or a clear and explicit expo-"sition of their own.* If they admit the principles stated "by me, it is for them to reconcile their own deductions to "those principles so admitted; and to disprove mine. If the "difference between us be as to principles, let them lay "fairly before the public those on which their theory is "built, and shew the practical consequences to which their "own principles would, in their own opinion, lead." I have therefore annexed a clear and explicit exposition of the principles I maintain. It might easily have been spun out into a pamphlet as long as Mr. Huskisson's, had I judged it necessary.

whose attention has been directed to such inquiries, to lay before the public, a clear and explicit declaration of their sentiments on the subjects of coin and paper currency, and that with as little delay as possible, on two grounds, recognized by Mr. Huskisson; 1. the importance of the question; and, 2. the necessity of having it thoroughly considered, previously to its discussion in Parliament.

In regard to the first point, the importance of the question, my ideas go far beyond those which the Honourable Gentleman seems to entertain. He admits "that it affects, in its practical consequences, the interests and the comforts of every class of society," (Preface p. 13); but that is nothing to the view in which the question ought, in my apprehension, to be considered. On the decision of that question, depend, not only the interests and the comforts of every class of society, but the very safety and existence of this great Empire; in other words, its security against foreign conquest, or internal convulsion; either, or both, of which must necessarily follow, if the currency of the country be rashly tampered with, or its established system of circulation overthrown.

As to the propriety of having the subject thoroughly discussed, previously to its being

brought under the consideration of Parliament, I perfectly concur with Mr. Huskisson in the observation he makes, (Preface, p. 12), "that "it is a subject upon which many persons "would rather collect their ideas, and form "their decision, in the leisure of the closet, than "in the warmth of debate."

These grounds have induced me, however reluctantly, to undertake the unpleasant task of examining the lucubrations of a gentleman, who having held offices of considerable moment, and whose character, as a person of business, intelligence and ability, being well known, it was natural to expect much important information from any observations which he might be disposed to publish.

I certainly lament, as much as he does, that the subject should at all be considered as a party question; but, most unfortunately, the motion for the appointment of the Bullion Committee was made by a gentleman connected with the opposition party; the majority of the members who constituted the Committee, are supposed to be hostile to the ministers who governed the country at the time when the Report was presented; the doctrines of that Report have been applauded by all those who, in newspapers or other publications, support

the claims of a particular party to the government of the Empire;—and any person, who presumed to controvert the opinions of the Committee, became the object of their most virulent abuse. These circumstances tend to indicate, that a number of individuals have formed an idea, that maintaining the doctrines of the Bullion Committee, may serve the purposes of the party to which they are attached. As to the clamour raised on the other side, (which is greatly inferior to what might have been expected regarding a question which affects the interests and comforts of every class of society), it is impossible for those, who see such a subject unnecessarily pressed forward, and the discussion persevered in, to abstain from loudly proclaiming their horror at such proceedings: More especially when the bare suggestion of such measures as the Committee has recommended, has already proved the source of infinite mischief, and when, to the best of their judgment, such measures, if they were really to be acted upon, would terminate in the destruction of the country.

We are told, however, "that it was for the "House of Commons to consider whether "they should appoint a Committee at all, or "refer such a subject to such a mode of

"examination; and that nothing can be more "unjust than to impute blame to the Members "of a Committee, acting under the orders of "the House, in the due discharge of a duty, "which the House had thought proper to im-"pose upon them." There never was, in my apprehension, a more unjust attack on the House of Commons, upon whom all the odium of any mischief that may arise from the Report, is thus attempted to be thrown. On a motion made by a learned Member of the House, a Committee was appointed "to enquire into "the cause of the high price of Gold Bullion, "and to take into consideration, the state of the "circulating medium, and of the exchange be-"tween Great Britain and Foreign Parts, and "to report the same, with their observations "thereupon, from time to time, to the House." The Committee were certainly thus *authorised*, not only to report the evidence, but to make their observations upon it, if they judged it necessary. They might, even, with perfect propriety, have reported the evidence alone, re-quesing the House itself to form the conclusions; or, if the subject appeared to them of great difficulty and importance, they might have post-poned presenting the Report altogether until another session, instead of hastily throwing to-gether so defective a performance, which they

had not leisure thoroughly to digest;* above all, it is questionable, whether it was proper to present a Report, *on such a subject*, involving in it, as the Honourable Gentleman admits, "*the* "*interests and the comforts of every class of* "*society*, at the very close of a session, when it was impossible for the House to know its contents, or to judge whether it was fit to be printed and circulated as a parliamentary document. Here again, I suppose, the House is to be blamed, for having received the Report at such a time, and, having ordered it to be printed, from the confidence it placed in the judgment and the patriotism of its Committee.

This leads me to allude to a circumstance, connected with the appointment of the Bullion Committee, which it is impossible to contemplate for a moment, without infinite regret.

The appointment of Select Committees, to collect useful information,—to digest the information thus collected,—to suggest, when specially authorised to that effect, what proceedings it might be proper for Parliament to adopt, regarding a subject thus investigated,—and afterwards to bring in such Bills as might be necessary to carry the measures proposed by them, if approved of by the House, into effect, is a system, which has been productive of

* The last evidence was examined on the 25th of May, and the Report presented on the 8th of June.

many useful regulations: but the proceedings of the Bullion Committee will make future ministers, and future parliaments, extremely cautious in sanctioning such appointments; it is impossible therefore to foresee the public mischief which may thence arise. A Committee may be appointed on very plausible pretences, it may unnecessarily postpone bringing its proceedings to a close, and, at the very last day of a session, it may present a Report, in the preparing of which, the Committee have gone far beyond the powers with which they were intrusted. The Report however is printed, and is circulated during a long recess, under the sanction of Parliament; and after much mischief has been done, when the Committee are asked, how all this came to pass? it is gravely answered,— "The House of Commons, and not we, are to "blame—the House appointed us, and we have "done but our duty." I mention a possible case, the very idea of which may prevent many useful inquiries. Indeed respectable members of the House will, in future, become extremely unwilling to take any share in such investigations, since they may inadvertently be led, to concur in the recommendation of measures, which may ultimately prove destructive to the public interest.

However much these circumstances are to

be lamented, I beg to have it understood, that, though now under the necessity of controverting the doctrines of the Committee, yet that I feel no want of respect for the gentlemen who constituted it, nor any alteration in that personal regard which I have long entertained for some of its members. They were placed indeed, as many Committees are, in a very awkward situation. Great things were expected from them, and they were of course perpetually teased to bring forward their Report, from an anxiety to know what they intended. The variety of important business discussed in the course of the last session, prevented them from paying that *unceasing attention* to the subject, which its intricacy and importance demanded; and probably, they thought, that it was of less consequence what doctrines were contained in the Report, as they were afterwards to be fully discussed in the House, before they could possibly be acted upon. Besides, the subjects of coin and paper currency, are questions of great difficulty, regarding which much may be said on both sides, and in the deciding of which, persons may, I trust, fairly and conscientiously, entertain discordant opinions.

I must now take the liberty of explaining the circumstances which have induced me to take so active a part in this investigation.

Some years have elapsed since I originally published the "History of the Public Revenue "of the British Empire," in the second volume of the third edition of which, printed Anno 1803, I fully explained the ideas which had occurred to me, on the subjects of Circulation and Paper Currency, and which are exactly similar to those which I have lately maintained.

Being fully convinced that the power and prosperity of this country, entirely depended on supporting its established system of circulation, as soon as it was surmised that the Bullion Committee had proposed to open the Bank, and consequently to overturn that system, I took the liberty of addressing a Letter to the Chairman, of which the following is a copy.

Copy of a Letter from Sir John Sinclair, to the Chairman of the Bullion Committee.

Sir,

I regret much to understand, that some ideas are entertained, of restricting the number of Notes issued by the Bank of England, which I am persuaded would be attended with the most injurious consequences to the agriculture, the commerce, and the revenue of the country. I have thought it necessary therefore, to submit to the consideration of the Bullion Committee, some thoughts upon the subject, in the enclosed

paper. Some check to the unlimited circulation of private Banks, would, I am persuaded be highly expedient; but in regard to Corporations, established for the purpose of issuing either large or small notes, any restriction can hardly be politic or advisable, if the security is unexceptionable; for any real unnecessary surplus of Notes, will soon return upon those who issue them.

I beg to conclude, with expressing my full conviction, that if the paper circulation of the kingdom is put on a proper footing, in regard to the following particulars: 1. Suffering none to be issued, but on the most undoubted security: 2. Taking care that as much paper currency is in circulation, as the increasing wealth, population, and revenue of the country demands: and 3. Issuing small notes, as well as large ones, without which the system is not complete;—if these principles are acted upon, there will be no difficulty, in finding pecuniary resources, for carrying on the war in which we are at present engaged, for twenty years more, and longer if it should be necessary.

I have the honour to be,

Sir,

Your faithful and obedient Servant,

No. 5, Terrace, Palace-yard,
19th April, 1810.

No notice was taken of this communication. Whoever will give themselves the trouble of reading it, will probably admit, that if any mischief shall arise from the Report of the Bullion Committee, they were fairly warned, on the 19th of April last, of the dangerous consequences which would result from the measures they intended to propose.

The Report, though ordered to be printed on the 8th June, did not reach me in Edinburgh till about the 16th of August. I happened then to be on the eve of setting out for London, and resolved to take the Report with me, as a companion during the journey. It is impossible to express the astonishment and regret which I felt on the perusal of that performance. On my arrival in London, I found the whole mercantile world in the utmost distress, which was greatly aggravated by the idea, that the Report would be acted upon as soon as Parliament reassembled. Not a person seemed resolved, either to maintain the advantages, or to vindicate the solidity of the established currency of the country. I could not therefore resist the inclination which I felt, to come forward at such a crisis; being apprehensive that the Bank Directors might be deterred from acting with sufficient energy in checking the misfortunes of the commercial world at that time, unless they were

convinced, that the doctrines of the Committee, were not so universally admitted, as they had been led to imagine, and consequently might not be ultimately adopted. I was thence led to publish some observations on the Report of the Committee, which have been for some time before the Public.

I shall now proceed, to make some observations on Mr. Huskisson's pamphlet, in so far as it seems to me essential to remark upon it, stating, first his sentiments in the words he has made use of, and next the Remarks which have occurred to me on the doctrines he has promulgated. I shall then conclude, with explaining the principles on which I conceive the paper currency of this country is now established; any tampering with which, in the present moment, would, I am persuaded, be attended with infinite, and endless mischief.

In the following Observations, the third edition of the pamphlet is referred to.

OBSERVATIONS ON MR. HUSKISSON'S PAMPHLET.

Preface, page 9.

"The *necessary information* (regarding the "doctrines of coin and paper currency) is to "be easily obtained, by resorting to the history "of our currency *in former periods*, and to

"those authors, in our own language, who are "looked up to, as of the highest authority in "political economy."

Observation.

This paragraph explains the origin of all those erroneous ideas regarding coin and paper currency, which the Honourable Gentleman has unfortunately imbibed. Instead of resting on *the improved experience of modern times*, he has suffered his judgment to be warped, *by the history of former periods*, and by authors whose *supreme* authority, in questions of political economy, can be no longer recognized.

A Locke, and other authors *of former periods*, could only reason according to the circumstances of the times in which they lived, and on the facts to which they had access; but the same doctrines could never be applicable to such an era as that in which we live. Could they have formed an idea, of the whole Continent of Europe being made subject to the dominion of one man? Could they have foreseen, a general anxiety to hoard, arising from the oppression to which whole states were subjected, and the commercial intercourse of nations put under trammels hitherto unheard of? No man can be absurd enough to suppose, that the same rules or principles, are

applicable to a state so forced and unnatural, as to the more fortunate period, when Europe was divided among a number of independent states, under governments either free, or not tyrannically exercised; where, in the midst of war, no idea was entertained of any general stop to commercial intercourse; and where, for the sake of mutual convenience, nations regulated their conduct, according to principles, to which the emphatic name of "The code of nations" was given, the authority of which unfortunately is no longer recognized. Besides, new discoveries are constantly making in commerce, in manufactures, in medicine, in agriculture, in mechanics, and in all the other arts and sciences; and why should not some be also made in political economy?

I must here take the liberty of remarking that, whatever respect we may entertain, for the celebrated Locke, as a metaphysician, and as a zealous and able friend to liberty and morals, yet no one, at all acquainted with the political history of this country and of America, will ever be disposed to quote him, as decisive authority, by which any practical measure of Government ought to be regulated.* It is well known that

* The plan of government for this new colony, (Carolina),

Mr. Locke was desired to draw up a Constitution for the province of Carolina. He exercised, on that occasion, all the political ability of which he was capable; but so different is theory from practice, that this constitution was found, by experience, totally unfit for the government of a country. The theories of Mr. Locke on coin and paper currency, are equally inapplicable to the circumstances of these times. Were Agriculture the subject of discussion, it would be idle to rest on the ancient dogmas of a Columella, or the Georgics of Virgil. More useful information is to be obtained, from an experienced farmer *of the improved modern school*, than from all the ancient authors who have written on husbandry.* In the same manner, intelligent mer-

was drawn up by the famous Locke; a philosopher, who was a friend to mankind, and to that moderation and justice which should be the only rule of their actions. Being more of a metaphysician than a statesman, it is certain that the same man, who had dissipated and destroyed so many errors in his theory concerning the origin of ideas, *made but very feeble advances in the paths of legislation.* Raynal's Hist. of the Indies, translated by Justamond, Vol. VII. p. 341, &c.

* Suppose that an author was determined to write a book on Agriculture, and wished to explain to his readers, the best mode of separating the grain from the straw. He might, on consulting ancient authorities solely, collect much information, as to the different sorts of flails, their length,

chants, well-informed bankers, or even the reprobated Directors of the Bank of England, who are guilty, according to the Report of the Bullion Committee, of *great practical errors* in the management of that vast concern,* would have given the Honourable Gentleman, more valuable information regarding coin and paper currency, than he has been able to derive, from all those ancient authors by whom he appears to have been misled.

Preface, page 1 *and* 2.

" I committed to paper, the substance of " my opinions, *in part before*, and the remain- " der very soon after, the publication of the " Report.—I trust that I shall be justified in " submitting, what was originally prepared for " an indulgent, and limited circle only, to the " examination and judgment of a more ex- " tended and impartial tribunal."

their weight, the various sorts of wood of which they might be made, the mode of spreading the sheaves, and a number of other minutiæ, and after all, he would find, on consulting a modern practical husbandman, that his labours were altogether thrown away, for, that whenever agriculture was well understood, the thrashing mill had entirely superseded the use of the flail.

* See Rep. of the Bul. Com. as printed by the House of Commons, p. 24.

Observation.

The Honourable Gentleman, after his retirement from office, having directed his attention to the subjects of coin and paper currency, and having formed a system on the foundation of ancient authorities merely, *wished to gain as many proselytes to his creed as possible.* He therefore prepares the substance of his opinions, communicates that substance *to an indulgent and limited circle*, perhaps to some particular Members of the Bullion Committee, and by such a mark of confidence, induces them to become *converts to his faith.* But, I should be glad to know, if the communication of these opinions ~~were~~ was restricted to particular Members of the Committee, why it was not general? and if it was general, why the doctrines of the Honourable Gentleman were not incorporated with the Report? The House was intitled to know *all* the grounds on which the Committee had formed its opinions, and it was not right to withhold information from the House, in order that a Member of that Committee might appear, in the course of any future contest, with more advantage, and, as the Champion or Goliah of the ancient system,

might acquire all the credit, and carry off all the glory, of the expected victory.

Preface, page 1.

" Proportionate to the general interest excited " by that Report, had been the clamour raised against it."

Observation.

It is to me a matter of astonishment, that the clamour has not increased ten-fold, considering the mischief it has already done, and how much it is likely to affect, " in its " practical consequences, the interests and com- " forts of every class of society." The Honourable Gentleman, (Pamphlet, p. 11.) talks of the restriction " having wrought so much mis- " chief, and laid the foundation of so much " confusion in all the dealing, and transactions " of the community ;" I should be glad to know, where was the mischief, and where the confusion, prior to the Report of the Bullion Committee? The mischief and the confusion has since been great; and will be fatal indeed, if that Report shall be acted upon. Is it to be wondered at, that a clamour should be raised, when a fire has been kindled, which may spread devastation and ruin over a whole kingdom? The stocks have already fallen materially, since that inauspicious Report has been printed and circulated;

bankruptcies have increased beyond all former precedent; and mercantile confidence has been shaken to an extent, never before experienced. All this may partly be owing to other circumstances; but a considerable share of the mischief ought certainly to be attributed to the Report of the Bullion Committee. The clamour, however, is nothing to what it will be, if any attempt shall be made to carry the suggestions of the Committee into effect. What will the public feel, when the same taxes are demanded from them, with but half of that circulating medium, on the abundance of which, its ability to pay those taxes entirely depends. A clamour would then be excited, beyond any thing known in the history of this country;—Indeed a convulsion would take place, which must throw every thing into confusion.

Preface, page 3.

"Sir John Sinclair defines *Money* to be, "*a well regulated paper currency with a certain* "*proportion of coin.* Such an axiom seems "to me wholly unintelligible, and must of "course be wholly unanswerable."

Observation.

The Honourable Gentleman appears to have so completely immersed himself in antient litera-

ture, that he cannot comprehend the common language of modern times. If he has to pay any individual such a sum as 10*l.* 14*s.* 8½*d. in money*, I should be glad to know, whether it would not be payment *in money*, according to the modern meaning of that word, if he were to deliver to his creditor a ten pound Bank note, half a guinea in gold, four shillings in silver, and two-pence halfpenny in copper? Does not that exemplify the definition of *Money* given by me, namely, "*Paper* "*Currency, with a certain proportion of coin.*" In fact, coin is of no real use in a country, except as small money, or change for Notes. A moderate proportion of silver, and of the smaller pieces of gold, therefore, is all that is necessary.

Pamphlet, page 1.

"It is of the essence of money to possess "intrinsic value."

Observation.

If the Honourable Gentleman by *Money*, means *Coin*, it certainly posseses intrinsic value; but his researches have not been very deep or extensive, if he does not know, that various articles have passed for money, which are without any material intrinsic value. Among the ancient Britons, iron rings or plates were used as money. The Spartans preferred iron bars,

quenched with vinegar, that they might not serve for any other purpose. Seneca observes, that anciently, there was stamped money of leather. The Hollanders, in 1574, coined great quantities of pasteboard. Cowries, a kind of shell, are made use of as money on the coast of Africa, and in the East Indies. All these sorts of money have little or no intrinsic value.

Pamphlet, page 2.

" *Paper Currency* has obviously no intrinsic value."

Observation.

The Honourable Gentleman cannot have studied the subjects of coin, and Paper Currency, with that intelligence and ability which might be expected from him, when he states that circumstance as an objection to paper currency, which is in fact its greatest advantage, namely, that it has no intrinsic value. The chief objection to coin is, that you must purchase it at a great expense from foreign countries, and after all, it is only a transferable commodity, or a medium of barter; whereas paper currency answers the same purpose, with many additional advantages, and being of no intrinsic value, the nation has it for nothing. From fifty to sixty millions, carrying on our agriculture, our commerce, and our manufactures, and pro-

ducing a revenue, (and consequently a national force), altogether incredible, are created by paper money. It is a species of circulation, obtained at little or no expense, and which has saved the exportation of many millions of property, by the loss of which the nation would have been impoverished.

Pamphlet, page 2.

" The money, *or coin*, of a country is so much " of its capital."

Observation.

Here money, *and coin*, are considered as synonimous terms, and in that point of view it may be admitted, that it is " of the essence of " money, *or coin*, to possess intrinsic value." It is astonishing to me, that either the Honourable Gentleman himself, or the indulgent and limited circle to whom his opinions were originally communicated, could suffer themselves to be deceived by such fallacies. They seem to have considered money, sometimes as different from, but at other times as synonymous with, coin.

Sir James Steuart has well observed, (Book III. cap. 1.) that the metals have so long performed the use of money, that money and coin have become almost synonymous, *though*

in their principles they be quite different. This difference he afterwards thus explains.— "Money is the scale for reckoning value; and "coin, certain denominations of money, re-"alized in a proportional weight of the precious "metals." (Book IV. ch. 19.) Bank notes are as just a scale for reckoning value as coin, and consequently, equally as well entitled to be comprehended under the general term of money.

In regard to the idea, that the circulating coin of a country, is to be considered as part of its capital, in *every* sense of that word, (and if not, why does not the Honourable Gentleman point out the distinction), it is totally inadmissible; and it is astonishing how any one, who has undertaken the task of teaching others the elementary principles and doctrines of finance, should have fallen into such a mistake. The capital of a country, as Dr. Smith justly observes, is of three sorts, 1. *consumable*, which yields no revenue or profit, as food, clothes, household furniture, &c.; 2. *fixed*, as useful machines, profitable buildings, improvements of land, &c. the characteristics of which is, that it affords a revenue or profit without circulating or changing masters; 3. the *circulating*, consisting of money, stock of provisions, rude materials for manufacture, &c. which he afterwards observes, though a very

valuable part of the capital, makes no part of the revenue of the society to which it belongs; to which a 4th might be added, namely, the *disposable*, or property which a community can export or part with, without any material injury, as bullion and plate. The coin, or specie of a country, therefore, forms no part of its consumable, fixed, or disposable capital: It is included in its circulating capital, which produces no revenue; and which cannot be parted with, without injury to the public prosperity. The coin of a country may be compared to its roads, for neither the roads, nor the currency of a country, produce any thing: they are only indirectly the sources of national wealth, or the instruments by which it can be obtained.

Pamphlet, p. 2.

" Whoever buys, gives—whoever sells, re-
" ceives,—such a quantity of pure gold or silver,
" as is equivalent to the article bought or sold:
" or, if he gives or receives *paper* instead of
" *money*, he gives or receives that which is va-
" luable, only as it stipulates the payment of a
" given quantity of gold or silver."

Observation.

There never was a more erroneous idea, and it could only originate from a blind deference to ancient authority, which cannot possibly be

admitted. There is not one transaction in a million, where the object of the sale is to procure coin, except merely for the purpose of employing that coin to purchase some other article. If, therefore, that article can be purchased by paper, instead of coin, the object of the seller is equally well answered, by the one as by the other; and there is not the least occasion, either for pure gold or pure silver.

Pamphlet, p. 6.

" I assume, as admitted, that in Great Britain, " gold is the scale to which all prices are re- " ferred, and, since the 39th of the King, the " only *legal tender*, except for payments under " 25*l.*"

Observation.

The Honourable Gentleman does not seem to be aware of the origin of those laws which were enacted, for the purpose of regulating our coin. The great object was, the preservation of the King's revenue.* It was thought hard,

* See articula de moneta. 20 Edw. I. stat. vi. Ces sount les articles qe sount dela la meer, et de cea, *a graunt damage nostre Signur le Roi*, et de son poeple, et a graunt corruption de sa monnoye Denglaterre. For the protection of the King's Revenue, the Tellers in the receipt of the Exchequer, by their duty *and oath of office*, were required, to

however, that individuals should be compelled to receive a species of money, which would not be accepted of at the Exchequer, in payment of those taxes to which they were liable. But since the Exchequer has received Bank notes in payment of taxes, all those ancient regulations are virtually abrogated; and whilst bank paper is received at the Exchequer, as readily as gold, and will purchase with as much facility, every article he wishes for, no man can justly complain of any defect in our circulation.

Pamphlet, p. 18.

"It follows that the difference between 56*l.* "and 46*l.* 14*s.* 6*d.* or between 12 and $10\frac{1}{4}$ "ounces of gold, arises from the *depreciation* of "the paper; and is the measure of that depre-"ciation, as well with respect to gold, the "*universal equivalent*, as to every other com-"modity."

receive no money, but good and true; and, by the ancient course of the receipt of the Exchequer, all money ought to be received there, by weight as well as by tale; See Preamble 9 and 10, Will. III. c. 21. By the Gold Act in 1773, the Tellers of the Exchequer, their deputies and clerks, were required to weigh all gold money tendered to them, and to cut, break or deface all pieces thereof, which, by the weight, or otherwise, shall appear to be counterfeit, or diminished otherwise than by reasonable weighing.

Observation.

It is well observed by a witness before the Bullion Committee (Mr. Greffulhe, Ap. p. 71), that the dearness of gold and silver cannot be called a discount on bank notes, or, in other words, a depreciation of paper.* From a variety of circumstances, unnecessary here to dwell upon, the price of bullion has become high; an event of a temporary nature merely, and which will be restored to its ancient standard so soon as Europe shall be settled, and general tranquillity restored. A pound of gold it is said is exchangeable for 56*l.* in paper currency; but can any one seriously maintain, that that is an argument for the convertibility of paper into coin. Is it not demonstrable, that no man in his senses would issue 46*l.* 14*s.* 6*d.* in paper, when the very next moment, 56*l.* might be demanded from him. It puts an end at once to all paper currency; and the Bank of England could no more issue paper, with the risk of such a demand, than it could convert its iron chests into

* It has been well observed, that if Bank notes are at a discount, when gold rises in value *above* the mint price, that gold coin is certainly at a discount, when bullion is below the mint price, which has been the case. Can any thing be more absurd?

ingots. We are gravely told, however, that though the Bank must pay *56l.* for *46l. 14s. 6d.*, " yet, " as a trading company there is very little, " or perhaps no inducement, to make a sudden " and violent reduction of its issues." *Pamphlet, page* 111.

Preface, page 17.

" Every month our exchanges were growing " worse, *and the price of gold rising*,* notwithstanding that our expedition to the Continent was terminated, and our pecuniary aid " to Austria was discontinued."

Observation.

Were there no other causes for the unfavourable state of the Exchange, and the high price of Bullion, than those which the Honourable Gentleman has enumerated ?† By the expedition to the Continent, I suppose he means the attack on the Isle of Walcheren. But had the expenses of that expedition been winded up ? Were there no expeditions to Spain and Portugal ? Have we not an army to maintain in Sicily ; and fleets and armies to support in various other quarters of the globe ? The great defect however, in the inquiries

* The price of gold has since *fallen* considerably. See Address prefixed.

† In my observations on the Report of the Bullion Committee, I have endeavoured to enumerate them.

of the Committee is, that after having ascertained the fact "that the price of bullion was high, and the exchange unfavourable;" and having also inquired into the causes thereof, that they did not investigate the possibility of diminishing the price of bullion, and rendering the exchange more favourable, without disturbing the established system of circulation? Why did they not inquire, whether new channels of export trade might not have been discovered; and above all, whether we could not have supplied ourselves at home, or from our own colonies, with a variety of articles, such as corn, naval stores, and timber, the price of which, with the enormous freights for their conveyance, were in fact the sole causes of those evils, which the Honourable Gentleman, and the Bullion Committee have so loudly deplored. That would have been an investigation worthy of statesmen. The Committee would then have proved themselves real benefactors to their country; and the tide of exchange would soon have become favourable to the British merchant.

Pamphlet, page 19.

"Creditors, annuitants, and all who possess "incomes fixed in their amount by a contract

" of any description, would be able to measure " the extent of their loss."

Observation.

The loss which annuitants sustain by the progressive increase of paper currency, has long been a subject of complaint, but without any just foundation; for any great increase of metallic money would have exactly the same effect, that of diminishing the relative value of all such payments; nor can it be admitted, that a nation is to be kept in an insecure or impoverished state, merely that annuitants, and other persons having money to receive by contract, may be comparatively richer. Indeed the money received by annuitants is not depreciated by an excess of paper. It will not go so far as it is used to do, because taxes have been necessarily augmented. The price of provisions also has been considerably increased, because the harvests have been unfavourable. Some imported articles must likewise sell higher, from the hitherto unheard of restrictions under which our commerce with the continent has been placed. *Besides, the peculiar circumstances of of these times ought never to be lost sight of, in the course of the discussion.* When the state of Europe is as much changed, as if a volcano had suddenly burst forth, threatening to cover one

half of the kingdom with ruin, we must not act or reason, as if nature had remained in its ancient quiescent state. Indeed, if our paper circulation had not given us the command of forty millions sterling, which otherwise we must have imported in bullion from other countries, sending them property to that amount in return, we could not have gone on at all; and had we not been thereby enabled to resist the power of France, the payments to annuitants, and others entitled to receive money by contract, would not have been very regularly liquidated. How can they expect to escape a share of that pressure, to which every other branch of the community has been subjected?

I have thus gone through the preface, and the first nineteen pages of the pamphlet of the Honourable Gentleman; and I trust it will be evident, from these observations, that the doctrines maintained by Mr. Huskisson are founded upon principles, inconsistent with those which are sanctioned by the improvements progressively made in the science of political economy. The Honourable Gentleman, indeed, has very candidly, and very justly admitted, (Preface, p. 8), that his observations contain *nothing which is new*; and it were to be wished,

that from the old matter, so anxiously and laboriously searched into, he had made a happier, and more judicious selection. Instead of persevering therefore in the task of commenting on such a publication, which, after the remarks I have already made upon it, and the want of novelty in its contents, seems to me perfectly unnecessary, I shall proceed to the principal object I had in view in publishing this work, namely, to state those Political Maxims, which explain the ideas which have occurred to me upon the subjects of coin and paper currency, the meaning of which, I hope, that any author, of even common penetration, will find little difficulty in comprehending.

It may be proper to add, to prevent any idea being entertained, that these Observations are published at the instigation of any party in the country, that they have not been communicated to a single member of either House of Parliament; and that the individual who writes them, is alone either implicated in, or responsible for, their contents. It would give him infinite pleasure, if his anxious endeavours, in conjunction with those of many others, by whom the cause, he trusts, will be advocated, should be the means of preserving from destruction, *that common bond*, (the established currency of the country), by the

interchange of which, numbers of insulated individuals, are combined into one whole; each, in various ways, promoting his own interest, and thereby increasing the wealth, securing the safety, and augmenting the happiness, of a great community.

POLITICAL MAXIMS

REGARDING

COIN AND PAPER CURRENCY,

INTENDED TO EXPLAIN, THE REAL NATURE, AND ADVANTAGES, OF THE PRESENT SYSTEM.

1. THAT it is of the utmost importance, in an early period of society, to have metals, or any other substance of a similar nature, fixed upon by common consent, by means of which, individuals may receive the reward of their labour, and the public its revenue, in an article equal in value, when sold, to that for which it has been exchanged, and which will answer as a medium for transferring property in goods, without the necessity of actual barter; and that the precious metals, from their intrinsic value, and other advantages, are peculiarly calculated for such useful purposes, in periods of society, when property is insecure, payments few, credit unknown, and the population inconsiderable.

2. That when a society becomes more numerous, property more secure, and payments

larger, and more frequent, it is a most essential improvement in the political circumstances of a country, to have some means of paying the wages of labour, raising a revenue, and effecting the transfer of goods, with such a circulating medium as paper currency, being of a nature less cumbrous than coin or bullion, and not liable to the various disadvantages, to be afterwards explained, attending a metallic circulating medium; and that in countries where no mines of the precious metals exist, the necessity of procuring them from foreign countries, at an enormous expence, for no other purpose, but merely to act as the medium of circulation, is thereby prevented.

3. That the establishment of a paper currency is of great importance to a nation, were it only for the purpose of saving the expence of purchasing bullion to be converted into coin; but that such a currency does not answer the object *effectually*, more especially in times of war, *if the paper is convertible into coin on demand*, as, in that case, a large quantity of specie is uselessly hoarded up, to be ready for any probable, *or even possible demand*, and hence that, in times of alarm, the circulation of a country is most diminished, when its abundance is most required.

4. That coin, though highly useful when no other medium of transfer can well be established, yet is attended with great disadvantages. — 1. It is perfectly unfit for making large payments, in so much, that neither the commerce of this country, to its present extent, could be carried on, nor its great revenue collected, if coin were the sole medium of circulation.—2. It can never be procured in sufficient quantities for the demands of an industrious, and a prosperous nation.—3. It is constantly diminishing in its value by wear, which diminution must be made good, either by the public or by the individual.*—4. It is liable to various operations, as filing, clipping, sweating, &c. by which its weight may be so much reduced, as to render it unfit for passing.—5. It is apt to be hoarded up when it is most wanted, namely, in times of alarm, and the hoards being generally secret, they are frequently totally lost;—and, 6. Private individuals possessing a quantity of specie, are more liable to lose their right of property in it, than in paper;

* In the reign of King William alone, the recoinage cost the public £3,170,480.—History of the Revenue, Vol. II. p. 45. The average expence of the Revolution war was only about three millions per annum.

and when nations possess it in great abundance it is a temptation to invasion.*

5. That paper currency, on the other hand, *when properly regulated*, is not liable to any one of these objections, whilst it possesses many advantages of peculiar importance.—1. A nation has the advantage of this currency at little or no expence, instead of exporting millions worth of goods to purchase bullion to be converted into coin, which after all could only answer the same purpose as paper currency, but not so well.—2. This currency need never be diminished in its amount, which uniformly occasions infinite misery to a country; on the contrary, it may be augmented whenever the wants of agriculture, to carry on its improvements, or of an increasing commerce or revenue, render it necessary.—3. Where paper currency is the medium of circulation,

* When an individual is plundered of coin, there are no means of distinguishing it from the other specie in circulation; but notes may be marked, or the payment stopped, and any loss thereby prevented. In regard to nations, abundance of coin or bullion becomes the immediate object of the plunder of an invading enemy; whereas the paper currency peculiar to a country, if he succeeds in his views of conquest, is of no use to him; whilst it circulates among those who place confidence in the government, under whose sanction it had been issued.

either coin or bullion, instead of being uselessly hoarded up, may be exported, for the purpose of carrying on necessary wars, or of purchasing grain in times of scarcity, which could not otherwise be hazarded, without the risk of throwing the whole country into confusion.—4. With an abundant circulation, the necessary result of a paper currency, a nation prospers to a degree beyond all possible conception: Thousands of people are employed, who, under a different system, might either have been almost entirely idle, or a burden on the community; and money, whether borrowed by individuals or by the public, is procurable, (a point of the most essential importance), at a moderate rate of interest. With such facilities, the payment of taxes, however great, is accompanied with much less difficulty; industry does not languish for want of employment, and every species of improvement is carried on with spirit. The mischiefs of a cramped circulation, on the other hand, are incalculable; agriculture decays,—commerce fades,—public credit is annihilated,—the public revenue becomes unproductive,—and men, from distress and despair, are ready to involve themselves and their country in all the horrors of revolution.

6. That the state of Great Britain, for a period of thirteen years, during which, a paper currency, not convertible into coin, was the medium of circulation, proves, *beyond the possibility of doubt*, the advantages of the new system. During that whole period, our exertions in foreign war, and domestic improvement, have been great beyond all example. We have at least occasionally fought France single-handed, which her Emperor had boldly declared to be impossible; we have confirmed our empire of the sea; we have every where defended our friends; we have every where combated our enemies; and yet, during all that period, the Bank of England was not compelled to issue gold;—*the whole was effected by paper, not convertible into coin.* Would it be wise to overturn a system capable of accomplishing such astonishing effects?

7. That there is a most essential difference between a Paper Currency, acting merely as the representation, not of coin, but of marketable property in general, and issued by a respectable, opulent, and well conducted Corporation; and State notes, or Government paper, circulated by compulsion, issued without limits, and founded on no security; and though such *Government paper* may have be-

come depreciated in other countries, when multiplied beyond all bounds, that is no reason why a Paper Currency, of a description completely different, namely, *mercantile paper*, which is never issued but on the most unquestionable security, may not, under proper regulations, be perfectly unexceptionable.

8. That coin or bullion, as a species of merchandise merely, may be of service in the transactions between commercial nations, and is a ready means of making remittances from one country to another; but that unless where the balance is unfavourable, (in which case the exportation of goods is much more expedient), the exchange between one country and another is best arranged, by means of bills of exchange, which are always at the command of an active and industrious nation, when wars, and obstacles arising from commercial jealousy, or political rancour, do not intervene.

9. That even where the exchange is unfavourable, it is much better to be subjected to any loss thereby occasioned, than for a nation to deprive itself of the advantages of Paper Currency, even if that currency were the cause of the lowness of the exchange; for that a paper currency, by promoting industry, and every species of agricultural and com-

mercial improvement, will soon bring about a favourable state of exchange, either by the solid exportable wealth which it would be the means of producing, or by raising articles at home, with which we are now supplied by foreign countries.

10. That the Bank of England cannot well exceed in the amount of its circulation, whilst it issues its notes, *on the security of good marketable property of any description*, and that to compel the Bank to pay in gold, an article which, from the failure of the mines, or a general disposition to hoard, it may be impossible to obtain, and which, after all, is itself nothing but a species of marketable property, would infallibly shake and subvert, not only the credit of our circulating medium as it is now established, but also the whole fabric of the commercial and public credit of the kingdom, on the maintenance of which its prosperity so essentially depends.

11. That it is highly desirable, that the circulation and commerce, not only of any particular country, but of society in general, should be carried on with as small a proportion of the precious metals as possible, the extracting of which from the bowels of the earth, requires so much labour and expence, and for the pro-

curing of which, the lives of so many millions of human beings have been unnecessarily, and it may be safely contended, in a great measure, even wantonly, sacrificed ; and,

12. That the price of bullion rising in the market, much above the mint price, is a circumstance attaching to gold *merely as merchandize*, and which must vary with the demand for that merchandize; as in every other similar case; and that we might as well institute an inquiry into the price of diamonds, of cochineal, of sugar, or of any other commodity, as into that of bullion.

CONCLUSION.

THE conclusion of the whole is this, that Parliament can find no difficulty, in rectifying any abuses, (if any shall be found to exist), which may have arisen, in our paper circulation, as it is now established, *for it is only the abuse that can be justly objected to* ; but that wholly to overturn a system, which has proved such a source of national prosperity, which has stood the test of the experience of 13 years, THE MOST EVENTFUL IN THE HISTORY OF MANKIND, and a system

which, if maintained, will enable us to resist the utmost efforts of all our enemies, would be a species of political suicide, *altogether unpardonable.*

JOHN SINCLAIR.

5, Terrace, Palace-yard,
London, November 24, 1810.

POSTSCRIPT.

After these Political Maxims had been drawn up, I resolved to ascertain, how far they were consistent with the principles laid down in a work of great merit, Sir James Steuart's Inquiry into the principles of Political Economy. Not having had any occasion to consider that work for several years, I found, with peculiar satisfaction, that the system which seemed to me the best calculated for the prosperity of this country, was sanctioned by the authority of that most intelligent and respectable writer. Every word he says regarding coin and currency, merits the attention of those who wish to be master of those intricate subjects. I shall subjoin, for the consideration of the reader, those passages which seem to me the most essential; with such observations as have occurred to me on the perusal of them.

1. *On the Origin of the Obligation to pay Bank Paper in Coin.*

"The obligation to pay Bank paper in " coin, owes its origin to the low state of

" credit in Europe, at the time when Banks first " began to be introduced; and it is not likely " that any other expedient will soon be fallen " upon, to remove the inconveniencies which " result from it, in domestic circulation, as " long as some persons of the most acute un- " derstanding in many things, consider all " money, except coin, to be false and ficti- " tious." Book IV. chap. 7.

Observation.

One would imagine that this distinguished writer, had forseen the appointment of a Bullion Committee, in the course of whose proceedings, persons of the most acute understanding in many things, seem to have been impressed with most erroneous opinions on the subjects of coin and paper currency.

2. *On the Amount of Gold Coin, necessary to circulate any given quantity of Bank paper.*

It is supposed that the Bank of England was formerly obliged to keep in coin one third part of the value of all its notes in circulation. On this subject Sir James Steuart observes, " but the consequence of the obli- " gation to pay in coin is, that when the na- " tion comes to owe a foreign balance, the " notes which the Bank had issued to sup- " port domestic circulation *only*, come upon

"it for the payment of this balance; and "thereby the coin, which it had provided "for home demand only, is drawn out." Book IV. chap. 7.

Observation.

The justness of these remarks can hardly be questioned; it is evident, therefore, that it would require £7,000,000. in specie, to circulate £21,000,000. of Bank Notes. the amount necessary for the demands of the country at this time. If the Bank were compelled to have always £7,000,000. in its coffers, which it must now purchase at a loss of £8½ per cent., and which, from any great additional demand, would soon rise to 15 or 20 per cent. *and which it must be constantly replacing;* I should be glad to know, in what the profit of the Bank would consist, and whether it would be worth its while to issue a single note, with the risk of its being converted, at such an expence, into specie.

3. *On the Advantages of Paper Currency.*

"In countries where nothing circulates but "the metals, when coin becomes scarce, it is "hardly possible to find any credit at all in "the remote provinces; and even in the centre of circulation, the interest paid for the "use of it, must rise very considerably, and

" must stand high for some time, before Bul-
" lion, for the purpose of coinage, can be im-
" ported. Paper money, on the other hand,
" when Banks and trade are well established,
" is always to be found. No part of it lies
" dead—not even for a day, when employed
" in trade; it is not so of coin." Steuart's
Polit. Econ. Book IV. chap. 12.

" To the Banks of Scotland, the improve-
" ment of that country is entirely owing."
Ditto, Vol. III. p. 197.

Observation.

These remarks are perfectly just. The prosperity both of England and of Scotland, ought principally to be attributed to the Banking establishments in those two countries, and the judicious principles by which they are regulated. Any attempt therefore, calculated for the purpose of diminishing their power, or restricting their circulation, cannot be two vigorously opposed.

4. *On the necessity of having Bank Notes convertible into Specie.*

" It is said that bank notes can never be re-
" ceived as specie, but from a persuasion that
" they may be exchanged for it on demand."

" To this the answer is obvious; that it
" is sufficient that bank notes be received *as*

" *value*, and that they answer every purpose " in carrying on alienation. The use of paper " money is, to keep the reckoning between " parties who are solvent; the use of specie " or coin, is, to avoid the inconvenience of " giving credit to persons who perhaps may " not be so."

" Again it is said, that if I have coin, I " may pay any where within the commercial " world, at the expense of transportation and " insurance."

" To this it may be answered, that the " principal use of coin is not to send it out " of the country, but to keep accounts clear " among the inhabitants within the country; " and that the only complaints against paper " money, and regrets for want of coin, issue " from those who wish to profit from the rising " value of the metal contained in the coin, " and who endeavour to persuade the public, " that its interest, and not their own, is their " object; but let us not say, that because " *some* of our money *may* be made of the pre- " cious metals, that *all our money* should be " made of them, in order that those, who " carry on transactions in money, may have " an opportunity of sending our metals away " with greater ease, and thereby of depriving " us of the means of carrying on alienations " among ourselves." (Steuart's Polit. Econ. Book IV. chap. 20.

Observation.

Those who are not convinced by these judicious remarks, must be either warped by interest, as jobbers in money often are, (who perhaps have been at the bottom of all this mischief), or they must be impressed with prejudices not to be surmounted. It is astonishing how any doubt of the utility of our present system of circulation, should remain in the breast of any one, after we have witnessed the beneficial effects which have resulted from it, during the course of the last 13 years.

5. *On the Necessity of Maintaining Banks.*

"If a statesman do not support his banks by "a systematical chain of conduct, he will "drain the fund of circulation by his remit- "tances, his credit will fail, his taxes will no "more be paid, and his people will be op- "pressed. But if he pursue his plan syste- "matically, circulation will be kept full, his "credit will be supported, his taxes will be "paid, and his people will be easy, because "no check will be put either to their indus- "try or consumption for want of money." Steuart's Pol. Econ. Book. IV. chap. 10.

Observation.

The doctrines contained in this paragraph, completely justify the observations contained

in the fifth political maxim. It were to be wished that those, who are anxious to form a just opinion regarding coin and paper currency, would study the works of an author, whose "Inquiry into the principles of Poli-"tical Economy," *was the labour of* 18 *years diligent research*, and whose works cannot be surpassed by those of any other political author, for ingenuity of thought, justness of reasoning, and soundness of judgment.

6. *On Public Loans.*

"As the object of the borrower is, to have "interest low, the statesman who intends to "borrow, must use all possible means to in-"crease the quantity of money in circulation."

"But if coin alone be used as money; and if "this coin be sent out of the country, when "borrowed, and if what is sent away cannot be "replaced, at will, the scheme of augmenting "money becomes impracticable: it will daily "become more scarce, more difficult to pro-"cure, and interest must rise higher every "day. Symbolical, or paper money, that is cre-"dit, must then be established at home, upon "the firmest basis: this will enable every one "to pay what he owes, consequently the taxes "will be paid, the creditors will receive what "is due to them regularly, money every year "will augment in proportion as debts are "contracted, and if borrowing do not augment

"beyond this proportion, interest will not rise, "and if borrowing should fall below this pro-"portion, interest will sink." Steuart's Polit. Econ. Book IV. chap. 10.

Observation.

These doctrines are invaluable, and are completely justified by the recent experience of this country. Those who cannot feel their importance, do not merit the name of Statesmen.

London: printed by W. Bulmer and Co.
Cleveland-row, St. James's.